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1-0300.00 BASICS OF ACCOUNTING

Basic financial statements present information concerning an organization's financial position on a certain date, changes in that position and results of operations during a period ending on that date. Financial statements presenting the financial position at a certain date are called balance sheets, and statements reflecting changes in that position and results of operations during a period ending on that date are called operating statements.

1-0300.10 BALANCE SHEET

The financial position information presented on the balance sheet indicates what an organization owns, what it owes, and the difference which is a measure of its net worth. These elements of financial position and their relationship to each other are summarized mathematically in the basic accounting equation:

OWNED - OWED = NET WORTH

In accounting terminology, things that are owned are called assets, things that are owed are called liabilities, and net worth is usually referred to as equity. By applying this terminology, we can restate the accounting equation as follows:

OWNED - OWED = NET WORTH

ASSETS - LIABILITIES = EQUITY (FUND BALANCE OR RETAINED EARNINGS)

To illustrate, assume that an organization has cash in the bank of $6,000 and owes $5,000. What is its equity? Since assets (what is owned) less liabilities (what is owed) equals equity -

ASSETS - LIABILITIES = EQUITY

$6,000 - $5,000 = $1,000

Try another one: assume that another organization has $200,000 in the bank, but it owes salaries to employees in the amount of $175,000.

What is its equity? Since equity equals assets minus liabilities, then -

ASSETS - LIABILITIES = EQUITY

$200,000 - $175,000 = EQUITY $25,000

= EQUITY **1-0300.10 BALANCE**

SHEET (Cont'd)

Assume, now, that we know the value of liabilities and equity. Can we determine the value of assets? In the preceding example, we state that assets - liabilities = equity. Using the same amounts for equity and liabilities we would have:

ASSETS	-	LIABILITIES	=	EQUITY
ASSETS	-	$175,000	=	$25,000

or

ASSETS	=	LIABILITIES	+	EQUITY
ASSETS	=	$175,000	+	$25,000

Thus, we derive that the value of assets is $200,000.

We have now stated the accounting equation two ways:

1.

ASSETS	-	LIABILITIES	=	EQUITY
$200,000	-	$175,000	=	$25,000

2.

ASSETS	=	LIABILITIES	+	EQUITY
$200,000	=	$175,000	+	$25,000

The accounting equation can be added to or subtracted from as long as the same amount is added or subtracted on both sides of the equation. It is important to remember that the equation must always be in balance.

Current Assets and Liabilities

Assets and liabilities are further classified according to their degree of permanency. Assets which are likely to be used up, or converted into cash, within the next year (cash, investments, most receivables, inventories, etc.) are called current assets. Longer lived assets, land, buildings, equipment, etc., are called fixed assets. Similarly, liabilities payable within one year are called current liabilities and those payable in more than one year are called long-term liabilities. The difference between current assets and current liabilities is called net current assets. It is a measure of an organization's liquidity. These elements of an organization's liquid financial position and their relationships to each other can be summarized by the basic accounting equation as follows: CURRENT ASSETS - CURRENT LIABILITIES = NET CURRENT ASSETS

To be considered financially healthy, an organization must meet both liquidity (sufficient net current assets) and solvency (sufficient equity) tests.

1-0300.20 OPERATING STATEMENT

Results of operations can be measured and reported in several different ways.

Cash Receipts and Disbursements

Cash receipts are increases in cash; cash disbursements are decreases in cash. The statement of cash receipts and disbursements is an operating statement which summarizes cash flows during a period.

Revenues and Expenditures - Governmental Fund Types

Revenues are additions to assets which do not incur an obligation and do not represent exchanges of property for money. Expenditures are charges incurred whether paid or unpaid, which are presumed to benefit the current fiscal year. A statement of revenues and expenditures, therefore, summarizes the receiving and spending activities of an organization during a period.

Revenues and Expenses - Proprietary Fund Types

Revenues are increases in equity and expenses are decreases in equity. The principal way in which expenses differ from expenditures is that expenses include the cost of using fixed assets over time (depreciation expense), even though the expenditures for those costs may not be reflected in current financial activity. A statement of revenues and expenses summarizes the effect which an organization's financial operations during a period have had on its equity.

Commercial vs. Governmental Accounting

In our free enterprise system, business organizations are permitted significant discretion in choosing how to spend their resources. Further, since business organizations exist primarily to earn profits, accounting standards governing their behavior place minimal emphasis on spending activities and focus almost exclusively on the extent to which operations have maintained or added to net worth, or equity.

Americans as taxpayers, on the other hand, are not nearly so inclined to allow their governments similar discretion in deciding how to spend public monies. Further, earning a profit is at best a secondary objective even for functions of government with profit-producing activities. Americans have not, therefore, found business accounting standards particularly useful for evaluating their government's financial activities and have turned instead to an accounting system which emphasizes the control of spending. This is done through the establishment of budgets and the preparation of reports which show the extent of compliance with the budget. The legal authority to spend in a governmental organization is the approved budget or the appropriation.

1-0310.00 FUNDACCOUNTING

Often, different functions of a governmental activity require different kinds of controls. To accommodate this need, separate funds are established to account separately for resources affected by different types of spending restrictions. Separate funds are required when unique reporting requirements exist. This process is referred to as fund accounting. Fund accounting allows a government to account for part of its activities using business accounting standards and the rest using governmental accounting standards.

1-0310.00 FUND ACCOUNTING (Cont'd)

Three categories of funds are used:

- Governmental funds
- Proprietary funds
- Fiduciary funds

Governmental Funds

Governmental funds are used to account for governmental activities financed primarily from taxes and state and federal appropriations. They are accounted for using governmental accounting standards. Therefore, they generally report only current assets and current liabilities on their balance sheets and their primary operating statement is the statement of revenues and expenditures. Their equity consists of the accounts called fund balance and reserves. The relationship between a governmental fund's statement of revenues and expenditures and its balance sheet can be indicated using the accounting equation as follows:

FUND BALANCE EQUITY (At Start of Year)	+	REVENUES (During Year)	-	EXPENDITURES (During Year)	=	FUND BALANCE EQUITY (At End of Year)
35,000	+	175,000	-	180,000	=	30,000

Another equation would be:

EQUITY (At End of Year)	=	ASSETS (At End of Year)	-	LIABILITIES (At End of Year)
30,000	=	150,000	-	120,000

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises and/or where the intent is that they be financed primarily from user charges. They are accounted for using business accounting standards. Therefore, their primary operating statement is the statement of revenues and expenses and their equity consists of separate invested monies (called contributed capital) and earned monies (called retained earnings).

The fact that the statement of revenues and expenses reflects changes during the year in fund equity is indicated in the previous accounting equation.

1-0310.00 FUND ACCOUNTING (Cont'd)

Fiduciary Funds

Fiduciary funds are used to account for activities undertaken by a government on behalf of, or in a fiduciary capacity for, some other persons or groups. Fiduciary funds are accounted for as either proprietary or governmental. Nonexpendable trust and pension trust funds are treated like governmental funds. Agency

funds are purely custodial (assets exactly equal liabilities and, hence, equity is always zero) and thus do not involve measurement of results of operations.

1-0310.10 RELATIONSHIP OF BALANCE SHEET AND OPERATING STATEMENT

It is possible to demonstrate the effect of financial transactions on the accounts by using the accounting equation. Amounts can be added to or subtracted from the equation as long as equal amounts are applied to both sides. The equation must always be in balance; its equality must be maintained.

Certain types of transactions affect only assets and liabilities and hence only the balance sheet. Three such transactions are illustrated below:

1. An asset can be increased and another asset decreased an equal amount. For example, a district purchases $5,000 of investments (asset) and disburses cash (asset). The asset account "Investment" has been increased but the asset account "Cash" has been decreased by the same amount, $5,000. Hence, we still have the same total assets. Thus,

ASSETS	=	LIABILITIES	+	EQUITY
50,000	=	22,000	+	28,000
50,000	=	22,000	+	28,000

2. An asset can be increased and a liability increased an equal amount. For example, a district borrows $8,000 for the current year (liability) and receives cash (asset). The asset account "Cash" has been increased and a liability account "Loan Payable" has been increased by the same amount, $8,000. Now the accounting equation looks like this,

ASSETS	=	LIABILITIES	+	EQUITY
50,000	=	22,000	+	28,000
50,000 + 8,000	=	22,000 + 8,000	+	28,000
58,000	=	30,000	+	28,000

1-0310.10 RELATIONSHIP OF BALANCE SHEET AND OPERATING STATEMENT (Cont'd)

3. An asset can be decreased and a liability decreased an equal amount. For example, a district issues checks (asset) totaling $4,000 to vendors, paying off some accounts payable (liability). The liability account "Accounts Payable" is decreased and the asset account "Cash" is also decreased by a like amount, $4,000. Thus,

ASSETS	=	LIABILITIES	+	EQUITY
50,000	=	22,000	+	28,000
50,000 - 4,000	=	22,000 - 4,000	+	28,000
46,000	=	18,000	+	28,000

There are two other types of transactions that affect equity-revenues and expenditures (or expenses). Revenues increase equity while expenditures (or expenses) decrease equity. The accounting equation now can be expanded as follows:

ASSETS = LIABILITIES + (EQUITY + REVENUES - EXPENDITURES) To

illustrate the expanded equation, these examples are given.

1. A district receives approval from the Superintendent of Public Instruction for a State Aid Claim totaling $9,000. The asset account, “Accounts Receivable,” is increased and the “Revenue” account is increased.

ASSETS (At End of Year)		LIABILITIES (At End of Year)		FUND EQUITY (At Start of Year)		REVENUES (During the Year)		EXPENDITURES (During the Year)
50,000	-	22,000	=	28,000				
50,000 + 9,000	-	22,000	=	28,000	+	9,000	-	0
59,000	-	22,000	=	28,000	+	9,000		

This transaction increased the Fund Balance $9,000 (by increasing revenues) while maintaining the balance in the accounting equation.

1-0310.10 RELATIONSHIP OF BALANCE SHEET AND OPERATING STATEMENT (Cont’d)

2. The district approves invoices for payment amounting to $7,000. This increases “Expenditures” and it increases the liability “Accounts Payable.”

ASSETS (At End of Year)		LIABILITIES (At End of Year)		FUND EQUITY (At Start of Year)		REVENUES (During the Year)		EXPENDITURES (During the Year)
50,000	=	22,000	+	28,000				
50,000	=	22,000 + 7,000	+	28,000	+	0	-	7,000
50,000	=	29,000	+	21,000				

This transaction decreases the Fund Balance $7,000 (by increasing expenditures) while maintaining the balance in the accounting equation.

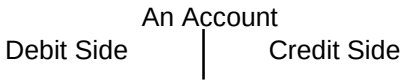
1-0320.00 DEBITS AND CREDITS

As illustrated earlier in this chapter, each financial transaction increases or decreases the district accounts. Accounting shows these increases or decreases as debits or credits. These terms are sometimes abbreviated, as follows:

Debit - DR

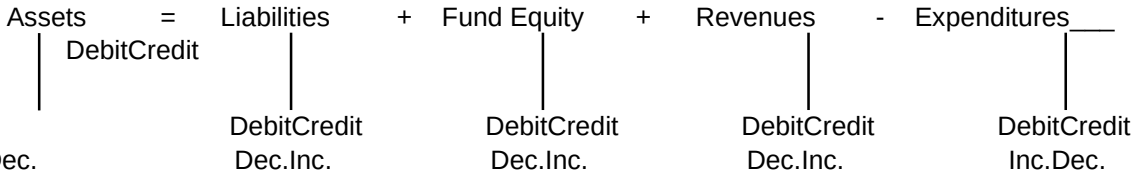
Credit - CR

You can think of a general ledger account as looking like a “T.” The left side of an account is called the debit side; the right side is called the credit side.



A debit will either increase or decrease an account depending upon where that account appears in the accounting equation. The same thing is true of a credit.

The accounting equation is illustrated to show where debits and credits appear as increases (Inc.) or decreases (Dec.)



1-0320.00

DEBITS AND CREDITS (Cont'd)

Since the accounting equation must always be in balance (i.e., ASSETS = LIABILITIES + FUND BALANCE), every transaction must always be made up of debit amounts equal to the credit amounts posted. Each transaction must be analyzed individually to determine which accounts are increased and decreased, resulting in specific debits and credits. The affect of debits and credits on the accounts may be illustrated as follows: Normal

Account Balance	Debit	Credit
Assets	Increase	Decrease
Liabilities	Credit	Decrease Increase
Fund Equity	Credit	Decrease Increase
Revenues	Credit	Decrease Increase
Expenditures	Debit	Increase Decrease

To further illustrate the use of debits and credits, some examples are presented:

1. Assume that the district began the year with assets of $20,000, no liabilities and a fund equity of $20,000.

Assets		=	Liabilities		+	Fund Equity		+	Revenues		-
Expenditures			Debit	Credit		Debit	Credit		Debit	Credit	
Debit	Credit		Debit	Credit		Inc.	Dec. Dec.	Inc.	Dec.	Inc. Dec.	Inc.
Inc.	Dec.										
20,000		= 0					+20,000				

2. The district receives approval of the State aid claim totaling $8,000. This transaction increases assets and increases revenues by the same amount.

	Assets		=	Liabilities		+	Fund Balance		+	Revenues		-	Expenditures	
	Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
	Inc.	Dec.	Dec.	Inc.	Dec.		Inc.	Dec.		Inc.	Dec.		Inc.	Dec.
(1)	20,000	20,000												
(2)	8,000	8,000												
(T)	28,000		= 0	+20,000	+8,000	-							0	

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3. The district received invoices for expenditures totaling $6,000. This transaction increases expenditures and increases liabilities.

	Assets		=	Liabilities		+	Fund Balance		+	Revenues		-	Expenditures	
	Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit		Debit	Credit
	Inc.	Dec.	Dec.	Inc.	Dec.		Inc.	Dec.		Inc.	Dec.		Inc.	Dec.
(1)	20,000						20,000							
(2)	8,000									8,000				
(3)	6,000												6,000	
(T)	28,000		= 6,000	+			20,000		+	8,000		-	6,000	

1-0320.00

DEBITS AND CREDITS (Cont'd)

4. The district borrowed $9,000 from the bank to cover future operating expenditures. This transaction increases assets and increases liabilities.

	Assets		= Liabilities		+ Fund Balance		+ Revenues		- Expenditures	
	Debit Inc.	Credit Dec.	Debit Dec.	Credit Inc.	Debit Dec.	Credit Inc.	Debit Dec.	Credit Inc.	Debit Inc.	Credit Dec.
(1)	20,000	20,000								
(2)	8,000	8,000								
(3)	6,000	6,000								
(4)	9,000	9,000								
(T)	37,000		=15,000	+20,000	+8,000				6,000	

The accounting equation is still in balance, $37,000 = $15,000 + $22,000 ($20,000 + $8,000 - $6,000). Also note that each transaction involved credit amounts equal to the debit amount.

Now try analyzing some transactions yourself. Remember:

A debit - increases an asset
- decreases a liability
- decreases fund balance
- decreases revenue
- increases expenditure

A credit - decreases an asset
- increases a liability
- increases fund balance
- increases revenue
- decreases expenditure

Following is a list of nine transactions to be recorded on the cash basis of accounting. Take a separate sheet of paper, list the number from 1 to 9 and indicate which accounts (assets, liability, fund balance, revenue, expenditure) are to be debited and which are to be credited. When you have completed your list, check the answers against those shown below:

1. Tuition is collected.

2. Teacher salaries are paid.

3. Investment matures.

4. Money owed to the XYZ Company is paid.

5. Money is borrowed from the bank.

6. A telephone bill is paid.

DEBITS AND CREDITS (Cont'd)

7. Investments are purchased.

8. State aid funds are received. 9. Custodians salaries are paid.

Your answers should be:

1. Debit Assets (Cash); credit Revenue.

2. Debit Expenditures; credit Assets (Cash).

3. Debit Assets (Cash); credit Assets (Investments).

4. Debit Expenditures; credit Assets (Cash).

5. Debit Assets (Cash); credit Liabilities (Loans Payable).

6. Debit Expenditures; credit Assets (Cash).

7. Debit Assets (Investments); credit Assets (Cash).

8. Debit Assets (Cash); credit Revenue.

9. Debit Expenditures; credit Assets (Cash).

1-0330.00

BOOKKEEPING RECORDS

In order for a district to utilize the accounting process, books and records must be maintained. These books and records may be classified into two major types; journals and ledgers.

Journals

A journal is a book of original entry. It is like a log book or a diary: that is, transactions are entered in it in the sequence in which they occur, in date order. As transactions occur, they are recorded first in the journal. This recording is called a journal entry and contains a summary of the transaction, the date on which the transaction took place, the accounts affected, how they are affected (whether debits or credits), the amounts to be debited or credited, and a brief description of the nature of the transaction.

A journal is classified as a general journal or a special journal. Special journals are used to record transactions of a like nature. Some examples of special journals include:

- revenue journal
- receipts journal
- expenditures journal
- disbursements journal
- payroll journal (payroll register)
- purchase order journal

All transactions could be recorded in a general journal. A sample general journal is illustrated below.

General Journal

Fund_____ Page _____

Date	Account Title and Explanation	General Ledger Account Number	Posted	Debits	Credits

Assume that on July 28, the district purchases $10,000 of U.S. Treasury bills as an investment for cash totaling $9,542. The actual entry in journal form is shown below. Note that the account to be debited is listed first and the account to be credited is listed second and indented - this is accepted practice. Also note that a brief explanation follows the recording of the account names.

General Journal

Fund General Page 1 _

Date	Account Title and Explanation	General Ledger Account Number	Posted	Debits	Credits
07/28	Investments	111		9,542.00	
	Cash in Bank	101			9,542.00
	(To record purchase of				
	U.S. Treasury bills in				
	the amount of $10,000)				

Ledgers

1-0330.00 BOOKKEEPING RECORDS (Cont'd)

A ledger is a book that may be used to summarize the financial activity in each account of a district. It usually has a separate page for each account. Ledgers are classified as "general" or "subsidiary." The general ledger contains the basic accounts of the district, and serves as the source of data for preparing the balance sheet. A sample general ledger account is illustrated below.

General Ledger

Fund Account Title_____

Account Number Page No. _____

Date	Description	Ref.	Debit	Credit	Balance

This general ledger format includes the "T" account, and has been modified to include a column to maintain a running balance of the account. The balance in the account will be a debit if entries in the debit column total more than those in the credit column; on the other hand, the balance will be a credit if credits total more than debits.

The accounts normally included in the general ledger are:

- individual asset accounts
- individual liability accounts
- individual equity accounts
- budgetary control accounts--Estimated Revenues (401), Appropriations (801), and Budgetary Fund Balance (952).
- revenue control account (402)
- expenditure control account (802)
- encumbrance control account (803)

Budgetary and encumbrance accounting will be discussed in subsequent chapters.

An illustration of the posting to an individual asset account, "Cash in Bank," is shown below.

General Ledger

Fund General Account Title Cash_____

Account Number 101 Page No. 1_____

Date	Description	Ref.	Debit	Credit	Balance
07/01	Balance Forward		81,090.40		81,090.40

Subsidiary ledgers provide detailed breakdowns of selected general ledger accounts. The most common subsidiary ledgers are:

- The Revenue Subsidiary Ledger
- The Expenditure Subsidiary Ledger

Posting

The process of taking the information from the journals and recording the same information in the ledgers is referred to as "posting."

The previous journal entry is posted to the appropriate general ledger accounts as follows:

General Ledger

Fund General Account Title Cash_____

Account Number 101 Page No. 1_____

Date	Description	Ref.	Debit	Credit	Balance
07/01	Balance Forward		81,090.40		81,090.40
07/28	Check No. 3909	GJ-1		9,542.00	71,548.40

General Ledger

Fund General Account Title Investments_____

Account Number 111 Page No. 1_____

Date	Description	Ref.	Debit	Credit	Balance
07/28	$10,000 maturity value U.S. Treasury Bills	GJ-1	9,542.00		9,542.00

The posting Reference column in the general ledger indicates which journal and page the posting came from. The balance column in the general ledger allows the bookkeeper to maintain a running balance in the account. Usually, each time the general ledger is posted, the accounts are totaled and the balance is entered with a notation as to whether the balance is a debit (DR) or a credit (CR).

General Journal

Fund General _ Page 1 _

Date	Account Title and Explanation	General Ledger Account Number	Posted	Debits	Credits
07/28	nvestments	111	X	9,542.00	
	Cash in Bank	101	X		9,542.00
	(To record purchase of				
	$10,000 U.S. Treasury bills				
	by warrant numbered 3909.)				

Numbers in the General Ledger Account Number column show to which accounts the journal entry was posted and the check marks in the posted column indicate the accounts have been posted.

1-0340.00 THE TRIAL BALANCE

If posting to the accounts has been done correctly, the total of all the debits posted should equal the total of all the credits posted. This is true because for every debit entry or entries there has been a credit entry or entries of an equal amount.

At the end of the month, when you are getting ready to prepare your reports, the first step is to prepare a trial balance for each fund. The General Fund trial balance would look like this:

SCHOOL DISTRICT XYZ
TRIAL BALANCE
GENERAL FUND
JULY 31, 20XX

General Ledger Account Number	Account Titles	Account Balances	
		Debit	Credit
101	Cash	66,000	
111	Investments	95,000	
180	Due from Other Governments	159,000	
220	Inventories for Consumption	3,500	
402	Revenue Control Account		5,000
670	Payroll Deductions and Withholdings		14,000
621	Accounts Payable		8,500
802	Expenditure Control Account	3,000	
970	Unreserved Fund Balance		299,000
		326,500	326,500

The debits and credits should be equal in the trial balance. A trial balance is necessary because errors can occur. For example, errors may occur while posting transactions to the ledger accounts. Numbers can be transposed (such as the accidental posting of a debit as $48 and the related credit as $84) or posting missed. The trail balance is simply a listing of all the account balances in the general ledger as a check to ensure the ledger is in balance.

1-0350.00 CHART OF ACCOUNTS

The chart of accounts is a listing of all accounts used in an individual accounting system. Each account is assigned a number, and is grouped in the ledger with similar accounts. Following is a simple chart of general ledger accounts showing current assets and current liabilities for the General Fund. Remember, assets are what the district owns, liabilities are what the district owes, and fund balance is the difference between the two. The number of accounts has been kept small to illustrate principles and procedures, but additional or different accounts may be necessary depending on the law and the needs of a particular district.

Current Assets

	Chart of Accounts	Normal

What the district owns:	General Ledger No.	Balance
Cash	101	Debit
Petty Cash	103	Debit
Investments	111	Debit
Due from Other Governments	180	Debit
Accounts Receivable	190	Debit
Prepaid Expenses	240	Debit
Current Liabilities		
What the district owes:		
Accounts Payable	421	Credit
Accrued Salaries and Benefits	661	Credit
Payroll Deduction and Withholdings	670	Credit
Fund Equity		
The difference between what the district owns and owes:		
Reserve for Encumbrances	953	Credit
Unreserved Fund Balance	970	Credit
Control and Budgetary Accounts		
Estimated Revenues	401	Debit
Revenues	402	Credit
Appropriations	801	Credit
Expenditures	802	Debit
Encumbrances	803	Debit

A complete list of accounts and their definitions may be found in Topic 3 of the School Accounting Manual.

1-0350.10 CONTROL ACCOUNTS

The Revenue Account (402), Expenditures Account (802), Estimated Revenues (401), Appropriations (801), Encumbrances (803) and the Reserve for Encumbrance account (953) are normally used as summary or control accounts. This simply means that the balances in these accounts are summaries of the balances of the detailed budget, revenue, expenditure or encumbrance accounts maintained in separate subsidiary ledgers. For example, revenue received from the federal government, the state, and from local sources is posted in total to the Revenues summary account (account 402). However, it is also necessary to keep a record of revenue from each individual source -federal, state and local. Therefore, a subsidiary revenue ledger is maintained which contains an account for each source of revenue in order to provide the detailed record needed. This ledger is called the Revenue Subsidiary Ledger or, simply, the revenue ledger. At all times, the total revenue shown in the general ledger Revenues account (402) should equal the total of the revenue amounts posted in the Revenue Subsidiary Ledger. When posting an item or items for which there is a control account, one would post the total to the control account and then post the individual amount(s) to the proper accounts in the subsidiary ledger.

The Revenue control account was used as a sample here; however, the same principle applies to any control account. Any subsidiary ledger should, like the revenue ledger above, be summarized in a single account in the general ledger. This is illustrated below using “T” accounts.

Assume that a district records the following revenues:

1. EHA Part B $20,000
2. State Equalization $30,000
3. Tuition $80,000

101 Cash in Bank		180 Due from Other Governments		402 Revenue (Control)	
Debit	Credit	Debit	Credit	Debit	Credit
(3) 80,000	(1) 20,000				(1) 20,000
	(2) 30,000				(2) 30,000
					(3) 80,000

And, the Revenue Subsidiary Ledger would look like this:

Out of District Tuition (Revenue Source 1310)		State Equalization (Revenue Source 3110)		EHA Part B (Revenue Source 4510)	
Debit	Credit	Debit	Credit	Debit	Credit
(3) 80,000		(2) 30,000			(1) 20,000

1-0360.00 GOVERNMENTAL AND COMMERCIAL ACCOUNTING

There are many similarities between governmental accounting and commercial, or private enterprise accounting. Both are concerned with controlling and reporting on financial position and results of operations. Both emphasize relevance, materiality, freedom from bias, comparability, consistency, and understandability. Both systems utilize:

- Double entry bookkeeping
- Many common terms (e.g., balance sheets, assets, liabilities, equity)
- Common accounting processes (e.g., journalizing, posting to ledgers, preparing of financial statements).

There also are significant differences between the two types of accounting. Some of these are:

- Objectives - While commercial enterprises are organized to make a profit for their owners, governmental entities exist to provide services to their citizens on a non-profit basis. Even though some district activities, such the food service program or the student store, provide commerciallike services, their primary objective usually is not to earn a profit.
- Reporting emphasis - Since governmental entities are primarily not seeking to increase capital, the accounting emphasis is not on profit. This emphasis requires the reporting of revenues and other financing sources (i.e., sale of bonds, interfund transfers) and expenditures and other uses of funds (i.e., interfund transfers, purchase of fixed assets, debt retirement) in the operating statements rather than on the balance sheet.
- Legal requirements and restrictions - Since governmental entities are created by law, they are continuously regulated by legal provisions. Their accounting records must illustrate that they have complied with all applicable laws and regulations. Most small commercial enterprises have more flexibility in their accounting processes than do governmental entities.
- Fund accounting - Because of these legal provisions and the diverse nature of governmental bodies, fund accounting is required. A fund is defined as a separate, self-balancing set of accounts which is separated for the purpose of carrying on specific activities or attaining certain objectives. Unlike a commercial enterprise, governmental entities must maintain separate funds, requiring a self-balancing set of accounts for each fund.

These and other characteristics of governmental accounting are formalized in a set of generally accepted accounting principles (GAAP) for governmental accounting. Throughout this chapter (and others), we will be explaining the principles which govern governmental accounting.

1-0360.10 ACCOUNTING FOR GOVERNMENTAL ORGANIZATIONS

The National Council on Governmental Accounting (NCGA) publishes the set of basic principles applicable to the accounting and reporting of all governmental organizations, including school districts. These principles prescribe the need for governmental units to maintain three categories of funds: governmental, proprietary and fiduciary. Fiduciary funds may be accounted for either as governmental or proprietary funds depending upon the nature of the particular fiduciary fund involved. A summary of these principles as applied to the operation of school districts is in Topic 5 of the School Accounting Manual.

1-0360.20 BASIS OF ACCOUNTING

One of the most important principles deals with the "basis of accounting." Basis of accounting refers to the point in time when revenues, expenditures or expenses (as appropriate), and the related assets and liabilities are recognized in the accounts and reported in the financial statements. In other words, the "basis of accounting" governs the **timing** with which the accounting system recognizes transactions.

There are three bases of accounting in common use: cash, accrual, and modified accrual. The accrual basis (or the modified accrual basis in the case of governmental fund types) is preferred by most professionals and standards setting groups because it presents a more accurate picture of the operations of the district. Montana school districts are required to use the modified accrual basis of accounting for governmental type funds and the accrual basis for proprietary type funds.

In cash basis accounting, financial transactions are recognized in accounting records only when money is paid out or taken in.

Under the accrual basis, revenues and expenses are recognized when the economic events which give rise to those revenues and expenses occur. Thus, revenues are recorded when they are earned (not necessarily when they are received in cash), and expenses are recorded when goods are consumed or services are rendered (not necessarily when cash is actually disbursed).

Since governmental fund type financial statements are concerned with spending and available spendable resources, rather than with a determination of net income, they are accounted for by using the modified accrual basis of accounting. The modified accrual basis is the accrual basis of accounting adapted to focus on spending rather than on net profits. Thus, revenues are recorded when they are "measurable" and "available," and expenditures are recorded when the liability is incurred (i.e. when goods or services are received).

The following paragraphs provide further elaboration of these concepts.

Cash Basis Accounting

With regard to cash basis accounting, the Municipal Finance Officers Association says:

"Cash basis accounting recognizes transactions only when cash changes hands. There exists no comprehensive set of cash basis accounting principles corresponding to the specifically defined sets of principles which comprise the accrual and modified accrual basis of accounting. As a result, the term cash basis accounting is used, in actual practice, to mean different things at different times."

In the simplest version of cash basis accounting, the balance sheet presents the cash balance of the entity as its only asset and does not recognize any liabilities. In such an instance, the balance sheet's representation of net worth (which is the difference between total assets and total liabilities) is simply the same amount as its cash balance. The statement of operations then presents as revenue only amounts actually received in cash and presents as expenditures only amounts which have actually been paid.

1-0360.20 BASIS OF ACCOUNTING (Cont'd)

This simple version of cash basis accounting is, however, seldom found in actual practice because it has potential to be misleading in certain situations. For example, cash received as proceeds from a loan taken out at the bank would be reflected as revenue on the operating statement, but no liability would be reflected on the balance sheet to indicate that the loan must later be repaid to the bank.

In such a system, the balance sheet presents as assets the entity's cash balance and any other assets arising from cash transactions (amounts receivable for loans previously made to other entities, material expenditure refunds, receivable, etc.). It presents as liabilities only those liabilities arising from cash transactions (amounts due as repayment for monies previously borrowed, employee payroll withholdings unremitted, etc.). In such an instance, the balance sheet's representation of net worth is the difference between the sum of its assets and the sum of its liabilities arising from cash transactions.

Cash basis financial statements are ordinarily not intended to present financial position or results of operations. They are intended to assist management with its internal planning of cash flows so that sufficient cash will be available to pay bills as they come due and so that excess cash might be invested until needed.

Cash basis financial statements omit recognition of assets and liabilities not arising from prior cash transactions. Accordingly, they ignore the effect upon financial position and results of operations of accounts receivable, accounts payable and other accrued items. Since these items are commonly of significant dollar magnitude, cash basis financial statements rarely present financial position or results of operation in conformity with generally accepted accounting principles.

For these reasons, authorities prescribe the use of the accrual basis of accounting or the modified accrual basis in the case of governmental type funds.

Accrual Basis Accounting

Under this method, revenues are recognized in the accounting period in which they are earned and become objectively measurable. When a revenue is earned, the district has provided the service. For example, a district food service program provides meals for the district National Honor Society sponsored by a local bank. After the meal, the revenue would be considered earned regardless of when the bank pays the bill.

Using the accrual basis of accounting, expenses, if measurable, should be recognized in the period incurred. Note the term "expenses" rather than the expenditures. The major difference in the terms is that expenses include various allocations of costs such as depreciation, but do not include the purchase of fixed assets or the payment of debt principle. The opposite is true for expenditures. This is to say, expenditures include purchase of fixed assets and the payment of debt principle, but do not include the allocation of cost such as depreciation. Expenses rather than expenditures, are recorded in proprietary funds.

Modified Accrual Basis Accounting

Under the modified accrual basis, revenues should be recognized in the accounting period in which they become available and objectively measurable as net current assets.

1-0360.20 BASIS OF ACCOUNTING (Cont'd)

Normally, a revenue becomes available when it qualifies as an asset. There are at least two exceptions to this statement in which the asset is recognized but the revenue is deferred.

1. Taxes Receivable - Taxes levied but not collected at fiscal year end are recorded as Deferred Revenue (680).

2. Externally imposed restrictions - An external restriction may be imposed on the district, precluding recording the increase in assets as revenue. For example, if a district receives funds in advance from a state or federal agency to finance the operations of a project in a subsequent year, the revenue should be deferred.

Revenues are considered measurable if the amount can be reasonably determined. Some revenues considered measurable are:

- State and federal grant reimbursement claims
- Tuition rates extended by the number of tuition students served
- Interest income projections

Some revenues which generally are not considered susceptible to accrual include income taxes, since the amount to be collected cannot be adequately determined. Property taxes generally should be accrued when collected.

In applying the available and measurable criteria to federal, state and other grants, the terms of each grant must be reviewed. If expenditure of monies is the prime factor in determining grant eligibility, the revenue should be recognized at the time of recording the expenditure.

Expenditure should be recognized, under the modified accrual basis, when the liability is incurred. For the liability to be incurred, the service must be performed or the goods received. Normally, the expenditure is accrued when goods or services are received or repairs completed.

Some exceptions or alternatives to the above criteria include:

- Principle and interest on general long-term debt are recorded as expenditures only in the fiscal year when due, or may be recorded as expenditures at fiscal year-end if due early in the next year and resources are available to make the payment.
- Inventory items such as supplies may be recorded as expenditure either when purchased "Purchases Method" or when used "Consumption Method."
- If the unused inventory not expended is significant, it should be reported on the balance sheet as an asset and a Fund Balance Reserve for Inventories.

1-0360.20 BASIS OF ACCOUNTING (Cont'd)

- Expenditures which are prepaid for insurance and rent extending over more than one accounting period must be allocated between accounting periods.

As previously indicated, all accounting activity illustrated in this handbook is based on either the accrual or modified accrual basis of accounting, as appropriate.

1-0370.00 SUMMARY

1. A balance sheet shows the financial position at a given date.
2. An operating statement shows the changes in financial position and results of operations during a period ending on the balance sheet date.
3. The things a district owns are called assets.
4. The amounts a district owes are called liabilities.
5. The excess of assets over liabilities is called equity or fund balance.
6. Receipts are increases in cash.
7. Disbursements are decreases in cash.
8. Increases in assets or decreases in liabilities which result in an increase in fund balance are called revenue.
9. Decreases in assets or increases in liabilities which result in a decrease in fund balance are called expenditures.
10. Increases and decreases in equity are called revenues and expenses, respectively.
11. Fund accounting is used by districts to permit accounting separately for resources affected by different types of spending restrictions and/or accounting principles.
12. Debits are entries to the left side of the account.
13. Credits are entries to the right side of the account.
14. Assets normally have debit balances; therefore debits increase assets credits decrease assets

1-0370.00 SUMMARY (Cont'd)

15. Liabilities and fund balances normally have credit balances; therefore debits decrease liabilities and fund balances credits increase liabilities and fund balances

16. The original entry of a financial transaction in the records is made in a journal.

17. From the journal, transactions are posted to accounts in the ledgers.

18. A set of account records is called a ledger.

19. A trial balance is a listing of account titles, account numbers, and balances for the purpose of determining whether the accounts are in balance - whether the total of all debit account balances equals the total of all credit account balances.

20. Generally accepted accounting principles (GAAP) are standards for accounting and reporting. GAAP applicable to governmental organizations are published by the National Council on Governmental Accounting (NCGA).

21. The basis of accounting refers to the point in time at which transactions are recognized in the accounting system.

22. In cash basis accounting, financial transactions are recognized only when cash is taken in or paid out.

23. In accrual basis accounting, revenues are recognized when they are earned and expenditures are recognized when goods are consumed or services rendered. The accrual basis is used for proprietary type funds.

24. The modified accrual basis of accounting is used for governmental type funds. On this basis, revenues are recognized when they are available and measurable and expenses are recognized when a liability is incurred.

CHART OF ACCOUNTS

3-0100.00 INTRODUCTION

3-0100.10 INTRODUCTION

The following chart of accounts and definitions are essentially the same chart of accounts and definitions presented in the Accounting and Reporting System Design Manual issued by the Local Government Services Division in 1982. The chart of accounts and definitions continue to be in substantial conformity to those provided in Financial Accounting for Local and State School Systems ("2R2") published by the National Center for Education Statistics of the U.S. Department of Education.

3-0100.20 FUND ACCOUNTING SYSTEM

Legal and accounting requirements of school districts make it necessary to establish a number of separate accounting entities. This is accomplished by organizing and operating a school district accounting system on a fund basis.

A fund is defined as a fiscal and accounting entity with a self-balancing set of asset, liability, fund equity, revenue, and expenditure accounts to record the flow of cash and other financial resources for a specific purpose or activity. Each fund must be accounted for separately so that its resources, obligations, revenues and expenditures or expenses, and fund equities are segregated from other funds. Funds are properly segregated when the accounts are kept separate and the resources of

one fund are not used to meet the obligations of another without proper authorization and recording of interfund transactions.

3-0100.30 TYPES OF FUNDS

The funds required by law and sound administration should be included within the following account group categories:

1. Governmental Fund Types

A. **General Fund.** This fund is the chief operating fund of the school district. It is used to account for all financial resources of the school district except for those required to be accounted for in another fund. A district may have only one general fund.

B. **Special Revenue Funds.** These funds are used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditure for specified purposes. Some examples of special revenue funds are:

- restricted state or federal grants-in-aid and
- restricted tax levies

In some cases, a separate fund is used for each identified restricted source. In other cases, one fund is used, supplemented by the classification Project Reporter Code.

CALENDAR OF OFFICIAL DUTIES

JANUARY

January	**Trustees**--quarterly meeting. (20-3-322(1)(d), MCA)
First Monday in January	**County Superintendent** begins term of office after election. (203-202, MCA)
January 1	Holiday--New Year's Day. (20-1-305, MCA)
January 1	Deadline for changing school district boundaries, until the second Monday of August (except for consolidation or annexation proceedings under 20-6-421 – 423, MCA election for consolidation must be made by December 31). (20-6-202 and 206-314, MCA)
January 1 through second Monday in August	Elementary school district boundaries may not be changed during this time except as listed in 20-6-421 through 423, MCA. (20-6-202, 20-6-314, MCA)
January 31	Bus inspections must be done for second semester. Buses must have passed inspection to be used on routes for reimbursement. (ARM 10.7.101)

FEBRUARY

February-June	Prepare the budget.
By February 1	**Trustees** provide District Superintendent or County High School Principal with written notice of termination. (20-4-401, MCA)
February 1 or Next school day	**Trustees** report official spring enrollment count for ANB purposes. (Due Feb 10) (20-9-311, MCA)
By February 15	**Board of Trustees** submits first semester transportation claims online to the Superintendent of Public Instruction and transmits one copy of each claim to the County Superintendent (20-10145(2), MCA) (ARM 10.7.101)
Upon Receipt of Transportation Claims	**Superintendent of Public Instruction** shall establish the validity and accuracy of the claims for the state and county transportation reimbursements by determining compliance. (20-10-145(2), MCA) and ARM 10.7.101). (Payments are made usually by 3/31).
By February 22	**County Superintendent** electronically authorizes first semester transportation claims (consisting of one copy of each district claim). (20-10-145(2), MCA) (ARM 10.7.101)

Upon receipt of state payment notice	**County Superintendent** orders first semester county transportation reimbursement based on state reimbursement to each district. (20-10-146, MCA and ARM 10.7.101)

MARCH

March 1	**OPI** sends districts the "Preliminary Budget Data Sheet" showing certified ANB, GTB subsidies, and special ed funding for the following year's budget. (MCA 20-9-369)
By March 15	**County Treasurer** sends all joint district revenues to designated custodian. (20-9-212(6), MCA)
By March 31	**Audits** by approved private auditor of districts with total federal expenditures greater than $500,000 in a fiscal year due to Department of Administration and OPI. (i.e., "A-133 Audits")

APRIL

April	**Trustees**--quarterly meeting. (20-3-322(1d), MCA)
April	**Board of Public Education**--quarterly meeting. (20-2-112, MCA)
April 25	Districts that intend to consolidate/annex effective July 1, 2012 must notify OPI.

MAY

By May 1	**Trustees** apply to **County Superintendent** for school isolation status when ANB will be less than 10 for elementary or less than 25 for high school for the second consecutive year. (20-9-302(1), MCA)
By May 15	**County Superintendent** submits application for school isolation to County Commissioners. (20-9-302(2), MCA)
Between May 15 and June 1	**County Commissioners** act on application for approval of isolated schools and return application to County Superintendent. (20-9-302, MCA)

By Third Saturday in May	**Trustees** hold organizational meeting. (20-3-321, MCA)
By May 24	**Board of Trustees** submits second semester transportation claims online to the Superintendent of Public Instruction and transmits one copy of each claim to the County Superintendent. (20-10-145(2), MCA and ARM 10.7.101)
Last Monday in May	Holiday—Memorial Day (20-1-305, MCA)
Before June 1	**County Superintendent** submits approved application for school isolation to Superintendent of Public Instruction who must act on the application by the fourth Monday in June. (20-9-302(3), MCA)

JUNE

June	**Teachers** must provide **Trustees** with written notice of acceptance of reelection (i.e., new contract) within 20 days after notice of reelection. (20-4-205 and 206, MCA)
June	**Trustees** are advised to issue bonds dated either in June or December such that coupons are payable in June and December. (20-9-411, MCA)
Upon receipt of transportation payment notice	**Superintendent of Public Instruction** shall establish the validity and accuracy of the claims for the state and county transportation reimbursements by determining compliance. (20-10-145(2), MCA) and ARM 10.7.101). (Payments are made usually by 6/30).
Upon receipt of state transportation reimbursement	**County Superintendent** orders second semester county transportation based on state reimbursement to each district. (20-10-146, MCA and ARM 10.7.101)
By June 1	**Trustees** must provide **tenured teacher** with written notice of termination. A teacher not notified is automatically reelected. (204-204 and 205, MCA)
By June 1	**Trustees** must provide **non-tenured teacher** with written notice of termination or reelection. (20-4-206, MCA)
By June 1	**Trustees** apply to Superintendent of Public Instruction for approval of increase in ANB (PAA-3) due to unusual enrollment increase when enrollment is expected to increase more than 6 percent ("anticipated enrollment increase"). Superintendent of Public Instruction must act by fourth Monday in June. (20-9-314, MCA)
By June 1	**Trustees** must submit form PAA-3 (Application of Additional ANB)

to Superintendent of Public Instruction for opening a new school, creating a new 7-8 grade accredited program, or opening a new kindergarten. (20-9-313, MCA)

By June 1	**Trustees** apply to Superintendent of Public Instruction for opening or reopening of a high school, junior high school, middle school or elementary school. Superintendent of Public Instruction must act by fourth Monday in June. (20-9-313; elementary school: 20-6502; middle school: 20-6-507; junior high: 20-6-505 (3), and 504(2); high school: 20-6-503, MCA)
By June 1	**Trustees** request the county election administrator conduct a school election next year. (20-20-417, MCA)
Before fourth Monday in June	**Trustees** apply to Superintendent of Public Instruction for approval of transfer of ANB from closed school. Superintendent must approve, disapprove, or adjust the estimated ANB increase before the fourth Monday of June. (20-9-313(1)(c), MCA)
By June 15	**County Treasurer** sends all joint district revenues to designated custodian (20-9-212(6), MCA)
By June 15	**Trustees** pay remaining tuition amounts owed under provisions of 20-5-324 (5), MCA.

By June 30	**Board of Trustees** may adopt a resolution for a budget amendment due to causes other than an unusual enrollment increase. (20-9-162, MCA)
June 30	**End of school fiscal year.** All budget appropriations lapse except appropriations for "uncompleted improvements in progress on construction" and properly authorized obligations to purchase personal property in manner prescribed by Superintendent of Public Instruction. (20-1-301, 20-9-209, MCA)
By year-end - June 30	**Trustees** designate a portion of the General Fund end-of-year cash balance as a cash reserve for the purpose of paying warrants issued from July 1 through November 30. (20-9-104, MCA)
No Later Than June 30	**Trustees** complete budget amendment proceedings to provide budget authority for additional pupil transportation obligations arising after final budget adoption and for which the contingency item is inadequate. (ARM 10.7.101)

2-0100.00 **CALENDAR OF OFFICIAL DUTIES (Cont'd)**

By June 30	Superintendent of Public Instruction establishes the validity of valid claims submitted after May 24 and by June 30 will be paid by September 30 of the following school year. (ARM 10.7.104)
By June 30	**Audits** by approved private auditors of districts with greater than $500,000 total revenue and less than $500,000 federal expenditures in prior fiscal year due to Department of Administration and OPI. (i.e., “Regular Audit” or “Yellow Book Audit”) **Financial Reviews** by approved private auditors of districts with less than $500,000 total revenue in prior fiscal year due to Department of Administration and OPI
By June 30	**Trustees** of each district shall provide an out of district attendance report to the Superintendent of Public Instruction (FP-15) for: 1. Resident students attending public schools out of state in the previous school year, for which the district paid tuition. 2. Resident students attending day-treatment programs under approved individualized education programs (IEP) at private, nonsectarian schools in the previous school year. For students attending under mandatory agreements pursuant to 20-5-321(1)(d) or 1(e): 3. The name and district of residence of each child who attended a school of the district under mandatory out of district attendance agreement (form FP-14) approved under the provisions of 20-5-321(1)(d) or (1)(e) in the previous school year. **Note:** In July of each year **districts** will use MAEFAIRS to enter days enrolled electronically.
Before fourth Monday in June	**Trustees** act on any applications for increased individual transportation reimbursement due to isolation of the transportee. (20-10-132(c), MCA)

JULY

July	**Montana Highway Patrol** will perform the first semiannual inspection of school buses at least 30 days prior to the beginning of the school term and re-inspect the buses, if necessary, before the beginning of the school term. (ARM 10.7.101) and (61-9-502, MCA).

July	**Board of Public Education**--quarterly meeting. (20-2-112, MCA)
By fourth Monday in July	**County Transportation Committee** approves/amends bus routes and acts on applications for increased individual transportation payments due to isolation. (ARM 10.7.101)
Before July 1 of third year	**County Superintendent** must notify any non-operation district that the district will be abandoned after 3 years of non-operation. (20-6-209(2), MCA)
By July 1	**District Clerk** transmits to the County Superintendent the TR-4 individual transportation contracts together with any new bus contracts. (ARM 10.7.101)
July 1	**TR-4 Transportation Contracts** must be completed. Contracts may be completed after this date for students who move into the district or become eligible transportees after this date. (20-10124(2), MCA and ARM 10.7.101)
July 1	**Chairman of the Board of Trustees and parents or guardians of pupils to receive transportation services** in ensuing year, complete and sign three copies of contracts for transportation as a prerequisite to including such transportation expenditure in the ensuing year's budget. Board of Trustees also complete with bus contractor(s) any new bus contracts for ensuing year. (20-10124(2), MCA and ARM 10.7.101)
July 1	**Beginning of School Fiscal Year.** (20-1-301, MCA)
July 1	**Trustees** of any non-operating district establish a Non-operating Fund. (20-9-505, MCA)
July 4	Holiday—Independence Day. (20-1-305, MCA)
By July 10	**County Treasurer** prepares cash balance statement for each district and for the county school funds and delivers such statements to the County Superintendent. (20-9-121, MCA)
By July 10	**Board of Trustees** of school district with state-approved traffic education program submits application for state reimbursement to Superintendent of Public Instruction. (20-7-502, MCA and ARM 10.13.309)
By July 30	**County Superintendent** checks transportation contracts and transmits one copy of each individual and increased individual

	transportation contract to Superintendent of Public Instruction. Two copies are returned to the school district. (20-10-124(4), MCA and ARM 10.7.106)
Between July 1 & Aug 10	**County Superintendent** of both counties in which a joint district is situated exchange the "Joint District Basic Data Transmittal Form."

Between July 1 and Aug 4	**Clerk** of each district publishes notice concerning availability of budget for inspection and also the schedule for final budget meeting. Any taxpayer in the district may appear at the meeting and be heard for or against any part of the budget (20-9-115, MCA)

AUGUST

August	**Trustees** - Quarterly meeting (20-3-322(1d), MCA)
Before August 1	**Trustees** must have conducted an election for authority to adopt an over-base general fund budget that does not exceed the general fund budget limitations. (20-9-353, MCA)
By first Monday in August	**County Assessor (Department of Revenue)** transmits a statement of the assessed valuation, taxable valuation and certified mills of each school district and each city and town to County Superintendent and to all involved County Superintendents and County Commissioners for joint districts (209-122 and 15-10-202, MCA)
First Monday in August	**County Superintendent** of county where school is located transmits "Joint District Tax Levy Summary Form" to County Superintendent of county where school is not located.
Before second Monday in August	**County Superintendent** estimates revenue by fund and any other August statistical data. (20-9-141, MCA and others)
On or before August 15	**Trustees** of each district must meet to adopt final budget. Upon adoption, the final budget is signed by the Chairman of the Board of Trustees and the District Clerk. (Meeting may be continued from day-to-day until the fourth Monday in August. If any line item of a budget provides payment of wages/salary for more than one person, district must submit a list of compensation for each position.) (20-9-131 through 133, MCA)
By August 15	**Trustees** submit annual Trustees' Financial Summary to **County Superintendent**. (20-9-213, MCA)

Within five days after budget meeting	**District** transmits copy of Final Budget and Trustees' Financial Summary to County Superintendent. (20-9-131, MCA)
By Friday preceding the fourth Monday in August	**County Superintendents** of each county involved in a joint district must finalize a joint statement of the mills needed for each budgeted fund of a joint district. Deliver the statement to County Commissioners of each county. (20-9-151, MCA)
By fourth Monday in August	**County Superintendent** computes levy requirements for each district. For joint districts the deadline is the Friday before the fourth Monday of August (20-9-151, MCA). (general 20-9-141,; retirement 20-9-501, building reserve 20-9-502 to 503, nonoperating 20-9-506, transportation 20-10-144, bus

depreciation reserve 20-10-147, adult education 20-7-705, debt service 20-9438 to 439)

Fourth Monday in August — **County Superintendent** presents County Commissioners with approved district budgets and with requirements for tax levies. (20-9-141 and 142, MCA)

Fourth Monday in August — **County Commissioners** shall fix levies on taxable value of all property within each district (Commissioners/other officers may be individually liable if debt service levy is not set as required by 209-444, 20-9-142 and 152, MCA.)

By August 31 — **Superintendent of Public Instruction** orders state reimbursement for traffic education programs to qualifying districts and transmits payments to County Treasurers. (20-7-506, MCA and ARM 10.13.309)

SEPTEMBER

September — **Board of Public Education**--quarterly meeting. (20-2-112, MCA)

First Monday in September — Holiday--Labor Day. (20-1-305, MCA)

September 10 — **Birthday cutoff** date for 5-year-olds entering kindergarten (20-7117, MCA).

September 10 — **Birthday cutoff** date for 19-year-olds in ANB counts. Students who reach age 19 on or before September 10 of the school year may not be counted for ANB. (20-1-101 and 20-5-101, MCA)

September 15 — **County Treasurer** sends all joint district revenues to designated custodian (20-9-212(6), MCA)

No later than September 15 — **County Superintendent** submits an annual report (Trustees' Financial Summary) to the Superintendent of Public Instruction. Report contains end-of-year financial report for each school

CALENDAR OF OFFICIAL DUTIES (Cont'd)

district and any other information requested by the Superintendent of Public Instruction. (20-9-211, 20-3-209, MCA)

Second Monday in September **County Superintendent** must complete budget form for each district and submit to the Superintendent of Public Instruction. In MAEFAIRS both the Trustees Financial Summary and the budget will be submitted at the same time. NOTE: for districts not using MAEFAIRS for reporting purposes please send a copy to the Superintendent of Public Instruction. (20-9-134, MCA)

OCTOBER

By October 1	District Clerk submits to County Superintendent and Public Instruction each “Application for Registration of School Bus and State Reimbursement” (Form TR-1) for approved bus routes of eligible riders only. (ARM 10.7.101)
October	**Trustees**--quarterly meeting. (20-3-322(1d), MCA)
October	**Teacher or Specialist** must register his teaching certificate with County Superintendent within 60 days after starting work (salary is not paid if certificate is not registered within 60 days). (20-4-202, MCA)
October	**Bus drivers** must have completed the first-aid competency requirement within 60 days of school beginning or 60 days of date of employment. (ARM 10.7.101)
First Monday in October	**Trustees** report official fall enrollment count for ANB purposes. (20-9-311, MCA)
After 1st Monday in October	**Trustees** may petition the Superintendent of Public Instruction to adopt a budget amendment for unusual enrollment increase under 20-9-161 through 168, MCA.
By mid-October	**Superintendent of Public Instruction** must notify county superintendents and district clerks of approved rates for individual and isolated contracts. (ARM 10.7.101)
In mid-October	**Board of Trustees** transmits “Fall Report” (ADC Report) to Superintendent of Public Instruction and County Superintendent for school accreditation and other purposes. (20-7-102, MCA)
Upon receipt of state approved transportation rates	**County Superintendent** notifies County Treasurer of details of approved transportation contracts.

2-0100.00 CALENDAR OF OFFICIAL DUTIES (Cont’d)

NOVEMBER

By November 1	**District Clerk** sends the County Superintendent one copy of each "Application for registration of School Bus and State Reimbursement" (Form TF-1) and submits a TR-1 for each bus route to the Superintendent of Public Instruction (ARM 10.7.101
By November 10	**County Superintendent** electronically verifies each “Application for Registration of School Bus and State Reimbursement" (Form TR-1) (ARM 10.7.101)

By November 10	**Superintendent of Public Instruction** completes action on all applications for increased rates for individual transportation, establishes transportation payment responsibility of multiple districts providing transportation services to the same family, and notifies County Superintendent and the Responsible School Official of approved rates for individual payments. (20-10-112(6) and 142(3), MCA)
Fourth Thursday	Holiday—Thanksgiving Day. (20-1-305, MCA)
By mid-November	**Superintendent of Public Instruction** acts on county-approved applications for approval of isolated schools and notifies County Superintendent and Board of Trustees of action. (20-9-302, MCA)
By mid-November	**Superintendent of Public Instruction** must notify county superintendents and district clerks of approved rates for individual and isolated contracts. (ARM 10.7.101)
Mid- November	**Superintendent of Public Instruction** completes action on all applications for increased rates for individual transportation, establishes transportation payment responsibility of multiple districts providing transportation services to the same family, and notifies County Superintendent and the Responsible School Official of approved rates for individual payments. (20-10-112(6) and 142(3), MCA)

DECEMBER

December	**Trustees** are advised to issue bonds dated either in June or December so that coupons are payable in June and December. (20-9-411, MCA)
December	**Trustees** must pay at least half of the tuition owed to each district on the notification under provisions of 20-5-324(5), MCA.
December	**Board of Public Education**—quarterly meeting (20-2-112, MCA)
December 10	Recommended final day to submit Trustees Financial Summary corrections. Submitted corrections corrected by OPI by December 20.
By December 15	**County Treasurer** sends all joint district revenues to designated custodian. (20-9-212(6), MCA)
December 25	Holiday—Christmas Day. (20-1-305, MCA)

2-0100.00 **CALENDAR OF OFFICIAL DUTIES (Cont'd)**

UNDATED DUTIES:

Monthly	**County Treasurer** must give itemized financial statement to Trustees monthly. (20-9-212(10), MCA)
Within 10 days after the conclusion of each school semester	**Teacher** must provide annual attendance report to District Superintendent, Principal or County Superintendent (salary is withheld until report is submitted). (20-4-301(1d), MCA)
	District Superintendent or County High School Principal must report cumulative pupil attendance and pupil absence of the district to the County Superintendent. (20-4-402 and 403, MCA)
To commence within nine months of close of last fiscal audit period	**Approved private auditor** audits accounts of districts with greater than $500,000 total revenue and less than $500,000 federal expenditures in a fiscal year (i.e., "Regular Audit" or "Yellow Book Audit"). Audit is due to OPI by 6/30 of the year following the year being audited. (20-9-203 and 504, MCA)
At any time	**Board of Trustees** of school district preparing to offer a traffic education program applies to Superintendent of Public Instruction for approval prior to beginning the program to comply with requirements for state reimbursement. (20-7-502, MCA)
Whenever required	**Board of Trustees** completes transportation contracts with individuals who move into the district after the adoption date of the budget or with those who, for other reasons, become eligible for transportation. **Trustees** submit contracts online to the Superintendent of Public Instruction and send one copy to the County Superintendent. (20-10-124, MCA)
Whenever required	**Board of Trustees** issues Montana Schools Bus Driver Certification to bus driver, submits information online to the Superintendent of Public Instruction and transmits required copies to County Superintendent and Superintendent of Public Instruction. (20-10-103, MCA)
Whenever required, upon receipt by the county of revenues for current school budgets	**County Superintendent** apportions all school moneys for current budgets to the school district and certifies the amounts apportioned to each Board of Trustees and the County Treasurer.
Once every three years	**County Superintendent** shall review existing school district boundaries. (20-6-215, MCA)

2-0100.00 **CALENDAR OF OFFICIAL DUTIES (Cont'd)**

Elections (see MASBO School Election Handbook for more information)

Election Day minus 135 40 days before the election.	**Trustee candidates** may file for election from 135 days before to the election (13-10-201, 20-3-305 and 20-3-344, MCA)
Election Day minus 75	**Voters** may request an **absentee ballot** through noon on the day before the election. (13-13-211, MCA)

Election Day minus 40	**Trustees** shall call each election by resolution. (20-20-201(1) and 203, MCA)
Election Day minus 35	**Trustees** must send a copy of the election resolution to the county election administrator. (20-20-201(2) and 203, MCA)
Election Day minus 30	Registration for election closes. (20-20-311 and 312, MCA)
Not less than Election Day minus 25	**Clerk** of district prepares certified list of candidates and official wording of each ballot issue. (20-20-401, MCA)
Not less than Election Day minus 26	Deadline for **write-in candidates** to file declaration of intent.(13-10-211(3), MCA)
Election Day minus 20	**Trustees** must have absentee ballots printed and available (2020-401, MCA)
Election Day minus 10	**Trustees** must appoint election judges. (20-20-203, MCA)
Election Day minus 1	**Trustees** provide ballots and supplies at each polling place. (2020-401(3), MCA)
Election Day minus 1	Absolute last day for **write-in candidates** to file a declaration of intent in by 5 p.m. cases where the candidate for the office the write-in candidate seeks dies, withdraws or is charged with a felony offense less than 15 days before the election. (13-10-211, MCA)
Election Day (20-20-105, MCA)	The **election administrator** must prepare polling places, print ballots, ensure election judges are present and conduct a fair and unbiased election. (Title 13, Chapter 13; 20-20-203, 20-20-401 and 20-20-411, MCA)
Election Day plus 15	**Trustees** certify election results. (20-20-416, MCA)
Election Day plus 15	**Newly elected candidates** complete and file oath of office with the county Superintendent. (20-3-307, MCA)

Please submit suggested additions to this calendar to OPI.

3-0100.30 TYPES OF FUNDS (cont'd)

C. **Capital Projects Funds.** These funds are used to account for financial resources to be used to acquire or construct major capital facilities (other than those of Proprietary funds and trust funds). The most common source of capital projects funding is the sale of bonds or other capital financing instruments. Multiple capital projects are identified in a single fund using the classification Project Reporter Code.

D. **Debt Service Fund.** This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest on bonds and SIDs.

E. **Permanent Fund.** This fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the school district's programs. These are sometimes referred to as non-expendable endowments.

2. Proprietary Fund Types

F. **Enterprise Funds.** These funds may be used to account for any activity for which a fee is charged to external users for goods and services. Enterprise funds are required to be used to account for an activity whose principal revenue sources meet any of the following criteria:

- Legal requirement to recover costs through fees and charges
- Policy decision of the governing board of management to recover the costs of providing services through fees or charges

Some examples of typical enterprise activities are day care or preschool services, the bookstore operation, the athletic stadium, or the community swimming pool.

G. **Internal Service Funds.** These funds may be used to account for any activity within the school district that provides goods or services to other funds, departments, component units, or other governments on a cost-reimbursement basis. The use of an internal service fund is appropriate only for activities in which the school district is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund. Examples of internal service funds are such activities as central warehousing and purchasing, central data processing, and central printing and duplicating.

3-0100.30 TYPES OF FUNDS (cont'd)

3. Fiduciary Fund Types

H. **Trust Funds.** These funds are used to account for assets held by a school district in a trustee capacity for others (e.g. members and beneficiaries of pension plans, external investment pools, or other trust arrangements) and therefore cannot be used to support the school district's own programs. Trust funds are generally accounted for on the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment health care plans; refer to GASB 43 and 45 for guidance on the recognition of these liabilities). Trust funds include pension trust funds, investment trust funds, and private-purpose trust funds (as described below).

- **Pension Trust Funds.** These funds are used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other benefit plans. Typically, these funds are used to account for local pension and other employee benefit funds that are provided by a school district in lieu of or in addition to any state retirement system.

- **Investment Trust Funds.** These funds are used to account for the external portion (i.e., the portion that does not belong to the school district) of investment pools operated by the school district.

- **Private-Purpose Trust Funds.** These funds are used to account for other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.

I. **Agency Funds.** These funds are used for money that is held in a custodial capacity by a school district for individuals, private organizations, or other governments.

Account Groups. Prior to FY2004, there were two accounts groups which were used to establish accounting control and accountability for the school district's general fixed assets and the unmatured principal of the general long-term debt. These account groups are the General Fixed Asset Account Group (GFAAG) and the General Long-Term Debt Account Group (GLTDAG).

These account groups were replaced in FY2004 with two schedules:

Schedule of Changes in Fixed Assets (SCFA)
Schedule of Changes in Long-Term Liabilities (SCLTL)

CHART OF ACCOUNTS

3-0100.40 NUMBER OF FUNDS

Funds may be established as authorized by law or as approved by the Office of Public Instruction as provided in Administrative Rule 10.10.406. Since financial administration becomes more complex and rigid with each additional fund, it is desirable to have as few funds as legal and sound administrative requirements make possible.

3-0100.50 BUDGETED AND NONBUDGETED FUNDS

Section 20-9-201, MCA provides that a formal budget be adopted for the following "budgeted funds" in order to expend any money from these eleven funds:

01	General Fund
10	Transportation Fund
11	Bus Depreciation Reserve Fund
13	Tuition Fund
14	Retirement Fund
17	Adult Education Fund
19	Nonoperating Fund
28	Technology Fund
29	Flexibility Fund
50	Debt Service Fund
61	Building Reserve Fund

All other funds are classified as "nonbudgeted funds." Section 20-9-210, MCA, limits expenditures from these funds to the amount of cash balance in a fund.

3-0100.60 ACCOUNTING POLICIES AND PROCEDURES

Accounting methods are found in Topic 5 Accounting Policies and Procedures.

3-0200.00 SCHOOL FUND CLASSIFICATION AND DEFINITIONS

3-0200.10 SCHOOL FUND ACCOUNT STRUCTURE

The fund account structure consists of a three digit number. The first digit designates whether the fund is used in a (1) elementary district, (2) high school & K-12 district, or (3) special education cooperative. The first digit is also referred to as "level." The next two digits identify the fund.

Fund Number Account Structure:

X X X

District Fund

Each fund number must be preceded by a digit as follows to designate an elementary or high school/K-12 district or a special education cooperative.

1XX - elementary district (e.g. 101 Elementary General Fund)
2XX - high school/K-12 district (e.g. 211 High School Bus Depreciation Fund)
3XX - special education cooperative (e.g. 382 Special Education Cooperative Fund)

CHART OF ACCOUNTS

3-0200.20 SCHOOL FUND CLASSIFICATION

Fund Number Fund Type — Legal Authority

GOVERNMENTAL FUNDS

01 **General Fund** — 20-9-301

10 - 44 Special Revenue Funds*

Budgeted Special Revenue Funds

10 Transportation 20-10-143 11 Bus Depreciation 20-10-147
13 Tuition 20-5-323/324
14 Retirement 20-9-501 17 Adult Education 20-7-705 19 Non-Operating Fund 20-9-505 28 Technology Fund 20-9-533 29 Flexibility Fund 20-9-543

Non-Budgeted Special Revenue Funds

12 School Food Services 20-10-201
15 Miscellaneous Programs Fund 20-9-507
18 Traffic Education 7/20-9-510
20 Lease-Rental Agreement 20-9-509
21 Compensated Absences Liability Fund 20-9-512 24 Metal Mines Tax Reserve 20-9-231 25 State Mining Impact 90-6-307 26 Impact Aid Fund (P.L. 81-874) 20-9-514 27 Litigation Reserve Fund 20-9-515

45 - 49 Permanent Funds

45 Permanent Endowment Fund — 20-9-604/OPI Approved
(Earnings, not principal, must be spent on district operations)

50 - 59 Debt Service Funds

50 Debt Service — 20-9-438

60 - 69 Capital Projects Funds

60 Building 20-9-508
61 Building Reserve 20-9-502 **CHART OF ACCOUNTS**

3-0200.20 SCHOOL FUND CLASSIFICATION (cont'd)

Fund Number Fund Type — Legal Authority

PROPRIETARY FUNDS

70 - 72 Enterprise Funds

70 Day Care OPI Approved
71 Industrial Arts OPI Approved 72 Enterprise - Miscellaneous OPI Approved

73 - 79 Internal Service Funds

73	Data Processing	OPI Approved	74	
	Purchasing	OPI Approved		
75	Central Transportation	OPI Approved	76	
Instructional Materials Center		OPI Approved	77	
Miscellaneous Internal Service		OPI Approved		
78	Self Insurance Fund - Health	20-3-331	79	
	Self Insurance Fund - Liability	20-3-331		

FIDUCIARY FUNDS

80 - 85	**Trust Funds**	
81	Private Purpose Trust Fund (Non-expendable)	20-9-604
82	Interlocal Agreement	20-7-457/20-9-511/
	(This fund should be preceded with the digit 3 when used by Special Education Cooperatives.)	20-7-801/20-9-701
83	Investment Trust Fund	20-9-213(4)
84	Student Extracurricular Activities	20-9-504
85	Misc. Private Purpose Trust Fund (Expendable)	OPI Approved

86 - 95 Agency Funds

86	Payroll Clearing Fund	20-9-220	87	
	Claims Clearing Fund	20-9-220		
88	Investment Earnings Clearing	OPI Approved	89	
	Retirement/COBRA Insurance	2-18-704		
90	Agency -- A	OPI Approved		
91	Agency -- B	OPI Approved		
92	Reserved			
93	Reserved			
94	Reserved			
95	Cafeteria/Flex Plan	OPI Approved		

ACCOUNTABILITY SCHEDULES

Fixed Assets (SCFA)	Required for reporting
Long-Term Liability (SCLTL)	Required for reporting

SCHOOL FUND DEFINITIONS

GOVERNMENTAL FUNDS

01 GENERAL FUND - The General Fund is authorized by Section 20-9-301, MCA, for the purpose of financing general maintenance and operational costs of a district not financed by other funds. The General Fund is a budgeted fund.

**BUDGETED SPECIAL REVENUE FUNDS*

3-0200.30

10 TRANSPORTATION FUND - Authorized by Section 20-10-143, MCA, for the purpose of financing the maintenance and operation of district owned school buses, contracts with private carriers for school bus service, individual transportation contracts, and any amount necessary for the purchase, rental, or insurance of yellow school buses or operation of the transportation program. The fund may be used only to support costs of home-to-school transportation.

11 BUS DEPRECIATION RESERVE FUND - Authorized by Section 20-10-147, MCA, for the purpose of financing the replacement of buses and two-way radio equipment owned by a school district. Fund may be used to replace route buses or athletics/activities buses and to purchase additional yellow school buses for routes. However, the Bus Depreciation Fund MAY NOT be used to purchase additional athletics/activities buses. Districts wishing to purchase these buses can do so from their General Fund, Extracurricular Fund, or Impact Aid Fund, if applicable.

13 TUITION FUND - Authorized by Section 20-5-323 and 324, MCA, to finance tuition costs for elementary and high school district pupils attending schools or detention centers outside their district.

14 RETIREMENT FUND - Authorized by Section 20-9-501, MCA, for the purpose of financing the employer's contribution to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS), Unemployment Compensation, Social Security and Medicare. Funded by a countywide levy for retirement.

School districts may only charge the Retirement Fund for retirement benefits associated with employees whose salaries and health-related benefits, if any, are paid from state and local funds, the Food Services Fund (12) or Impact Aid Fund (26). Cooperatives may only charge the Retirement Fund for retirement benefits associated with employees whose salaries are paid from the cooperative's Interlocal Agreement Fund (82) if the interlocal agreement fund is supported solely from districts' general fund and state special education allowable cost payments.

CHART OF ACCOUNTS

SCHOOL FUND DEFINITIONS (cont'd)

17 ADULT EDUCATION FUND - Authorized by Section 20-7-705, MCA, for the purpose of financing adult education with student fees and district mill levies. Activities related to adult basic education programs financed by state appropriations and federal grants must be accounted for in Miscellaneous Programs Fund.

19 NON-OPERATING FUND - Authorized by Section 20-9-505, MCA, for the purpose of accounting for activities of a district in non-operating status. The fund is established through residual equity transfers from all other funds except for the debt service fund and the miscellaneous programs fund.

28 TECHNOLOGY FUND - Authorized by Section 20-9-533, MCA to purchase, rent, repair, and maintain technological equipment and to provide technical training for district personnel. Funded by a state grant authorized by Section 20-9-534, MCA, and a voted levy.

29 FLEXIBILITY FUND - Authorized by Section 20-9-543, MCA, for the purpose of paying salaries, operating expenses, building expenses, and purchasing supplies and equipment. Funded by a state grant and voted levy.

NON-BUDGETED SPECIAL REVENUE FUNDS*

12 FOOD SERVICES FUND - Authorized by Section 20-10-201, MCA, for the purpose of accounting for school food service operations, including state and federal reimbursements.

15 MISCELLANEOUS PROGRAMS FUND - Authorized by Section 20-9-507, MCA, for the purpose of accounting for local, state or federal grants and reimbursements. Donations that allow the expenditure of both principal and interest for support of district programs are deposited in this fund.

18 TRAFFIC EDUCATION FUND - Authorized by Section 20-7-507 and 20-9-510, MCA, for the purpose of accounting for traffic education activities.

20 LEASE-RENTAL FUND - Authorized by Section 20-9-509, MCA, for the purpose of accounting for revenues and expenditures related to lease or rental of school property.

21 COMPENSATED ABSENCE FUND - Authorized by Section 20-9-512, MCA, for the purpose of financing the accumulated sick leave and vacation pay that a non-teaching or administrative school district employee is entitled to upon termination of employment. Funded using budgeted General Fund transfers. Funds in excess of limit must be returned to General Fund.

SCHOOL FUND DEFINITIONS (cont'd)

GOVERNMENTAL FUNDS

NON-BUDGETED SPECIAL REVENUE FUNDS* (cont'd)

24 METAL MINE TAX RESERVE FUND - Authorized by Section 20-9-231, MCA, for the purpose of accounting for revenues collected under Section 15-37-117(1), MCA, and 7-62225, MCA related to hard rock mining. Money may be expended from this fund for any purpose provided by law.

25 STATE MINING IMPACT FUND - Authorized by Section 90-6-307 and 309. Property Tax Prepayments from a mineral developer under section 90-6-309, MCA, deposited in the State Mining Impact Fund (25). Receipts and subsequent expenditures of the tax prepayments must be tracked separately from other receipts in the fund using project reporter codes (ARM 8.104.211(2)). The district must provide tax credits in later years to the company making prepayment, according to written agreements.

26 IMPACT AID FUND - (Title VIII) Authorized by Section 20-9-514, MCA for the purpose of the receipt and expenditure of Public Law 81-874 Impact Aid.

27 LITIGATION RESERVE FUND - Authorized by Section 20-9-515, MCA for the purpose of paying legal settlements and court judgments ordered against the district. Costs named in the legal settlement/judgment order may be paid using the fund. Funded using budgeted transfers from the general fund when litigation is pending. Non-budgeted fund. Funds remaining after settlement/judgment must be returned to the general fund.

PERMANENT FUNDS

45 PERMANENT ENDOWMENT FUND - Authorized by Section 20-9-604, MCA, to account for trusts and endowments that only allow use of interest earnings, and not principal, to support the district's programs. [If principal cannot be spent and the endowment benefits individuals, outside groups, or other governments, use 81 Private Purpose Trust Fund (non-expendable). If principal can be expended, use 85 Private

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

Purpose Trust Fund for trusts used for outside party benefits (scholarships, etc.) or 15 Miscellaneous Programs Fund for expendable trusts that benefit the district programs.]

DEBT SERVICE FUNDS

50 DEBT SERVICE FUND - Authorized by Section 20-9-438, MCA, for the purpose of paying interest and principal on outstanding bonds and special improvement district (SID) assessments. This fund is also used to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403 (c) and (d), MCA. The Debt Service Fund is a budgeted fund.

CAPITAL PROJECTS FUNDS

60 BUILDING FUND - The Building Fund is authorized by Section 20-9-508, MCA. It is used primarily to account for the proceeds of bonds sold for the purposes provided in Section 20-9-403, MCA. The fund is also used to account for insurance proceeds for damaged property as provided in 20-6-608, MCA, or the sale or rental of property as provided by 20-6-604 and 607, MCA.

61 BUILDING RESERVE FUND - The Building Reserve Fund is authorized by Section 20-9-502, MCA, for the purpose of financing voter approved building or construction projects funded with district mill levies. The Building Reserve Fund is a budgeted fund.

PROPRIETARY FUNDS

ENTERPRISE FUNDS

70 DAYCARE ENTERPRISE FUND - The Day Care/Preschool Enterprise Fund is used to account for day care services operated on a commercial basis with little or no financial support from federal or state sources. This fund may be used when approved by the Office of Public Instruction.

3-0200.30

71 INDUSTRIAL ARTS FUND - The Industrial Arts Fund is used to account for major industrial arts programs operated on a commercial basis with little or no financial support from federal or state sources. Such programs include recurring construction of residential housing, fabrication or manufacture of furniture, tools, or other similar items, or serviceoriented activities such as engine rebuilding, welding, or drafting. This fund may be used when approved by the Office of Public Instruction.

72 MISCELLANEOUS ENTERPRISE FUND - The Miscellaneous Enterprise Fund is used to account for programs operated on a commercial basis with little or no financial support from federal or state sources. This fund may be used when approved by the Office of Public Instruction.

INTERNAL SERVICE FUNDS

73 DATA PROCESSING INTERNAL SERVICE FUND - The Data Processing Internal Service Fund is used to account for data processing services provided to schools or other departments of the district on a cost-reimbursement basis. This fund may be used when approved by the Office of Public Instruction.

74 PURCHASING INTERNAL SERVICE FUND - The Purchasing Internal Service Fund is used to account for purchasing services provided to in-district schools or other departments on a cost-reimbursement basis. This fund may be used when approved by the Office of Public Instruction.

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS (cont'd)

75 CENTRAL TRANSPORTATION INTERNAL SERVICE FUND - The Central Transportation Internal Service Fund is used to account for transportation services provided to in-district elementary and high school districts and other programs such as student extracurricular activities on a cost-reimbursement basis. This fund may be used when approved by the Office of Public Instruction.

76 INSTRUCTIONAL MATERIALS CENTER INTERNAL SERVICE FUND - The Instructional Materials Center Internal Service Fund is used to account for instructional material services provided to elementary and high schools in the district on a costreimbursement basis. This fund may be used when approved by the Office of Public Instruction.

77 MISCELLANEOUS INTERNAL SERVICE FUND - The Miscellaneous Internal Service Fund is used to account for miscellaneous activities operated on a cost-reimbursement basis. This fund may be used when approved by the Office of Public Instruction.

78 SELF INSURANCE - HEALTH - Used to account for financial activities for health plans maintained under 20-3-331, MCA, on a self-insurance basis. Self-insurance funds must be run on an actuarially-sound basis. This fund may be used when approved by the Office of Public Instruction.

79 SELF INSURANCE - LIABILITY - Used to account for financial activities for liability insurance maintained under 20-3-331, MCA, on a self-insurance basis. Self-insurance funds must be run on an actuarially-sound basis. This fund may be used when approved by the Office of Public Instruction.

FIDUCIARY FUNDS

TRUST FUNDS

81 PRIVATE PURPOSE TRUST FUND - (Non-expendable trusts benefitting non-district operations). This fund is used to account for gifts, legacies, and devises received by the school district when the trust agreement specifies that funds (interest only) may be expended for non-district operating purposes, primarily student scholarships.

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

82 INTERLOCAL AGREEMENT FUND - The Interlocal Agreement Fund is authorized by Sections 20-7-457, 20-9-511, 20-7-801, and 20-9-701, MCA, for the purpose of accounting for revenues and expenditures related to an interlocal agreement between two or more school districts or other local governments.

FIDUCIARY FUNDS

TRUST FUNDS (Cont'd)

83 INVESTMENT TRUST FUND - This fund is used to account for the external portion (i.e., the portion that does not belong to the school district) of the investment pools operated by the school district.

84 STUDENT EXTRACURRICULAR ACTIVITIES FUND - The Student Extracurricular Activities Fund is authorized by Section 20-9-504, MCA, to account for various student activities, such as athletics, clubs, classes, student government organizations, student publications and other such activities. Separate fund accounts within the Extracurricular Fund are maintained to account for these various activities. Unlike other district funds, the money for these activities may be maintained in bank accounts outside the control of the County Treasurer. The fund is administered by school district administrators, faculty members, and student organizations under the guidelines and policies established by the Board of Trustees and in accordance with the "Student Activity Fund Accounting" guidelines. Required guidelines are available from the Montana Association of School Business Officials (MASBO) or from OPI. If appropriate, this fund may be classified as a special revenue fund for GASB 34 purposes.

85 PRIVATE PURPOSE TRUST FUND - (Expendable trusts benefiting non-district operations).- The Miscellaneous Trust Fund is used to account for revenues and expenditures related to other miscellaneous trust-type activities where the trust agreement allows both principal and interest to be used for purposes that do not support district programs. (For non-expendable endowments, districts would usually use Fund 45 for district activities or Fund 81 for non-district activities.) This fund may be used when approved by the Office of Public Instruction.

AGENCY FUNDS

86 PAYROLL CLEARING FUND - The Payroll Fund is an agency fund authorized by Section 20-9-220, MCA, for the purpose of reducing bookkeeping requirements associated with the issuing of warrants. Rather than issuing several warrants on a fund by fund basis to a single payee and maintaining a separate list of unpaid outstanding warrants for each fund, a school district may issue one warrant from the Payroll Fund to a single payee and

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

maintain only one list of unpaid outstanding warrants. A cash transfer letter is prepared monthly to the County Treasurer which transfers cash from the various operating funds for the appropriate amount to the Payroll Fund in an amount equal to unremitted payroll liabilities (if the "gross pay method" is used in the Payroll Fund) and warrants issued against the Payroll Fund. Fund is optional and may be discontinued by the County Treasurer.

FIDUCIARY FUNDS

AGENCY FUNDS (Cont'd)

87 CLAIMS CLEARING FUND - The Claims Fund is an agency fund authorized by Section 20-9-220, MCA, for the purpose of reducing bookkeeping requirements associated with the issuing of warrants. Rather than issuing several warrants on a fund by fund basis to a single payee and maintaining a separate list of unpaid outstanding warrants for each fund, a school district may issue one warrant from the Claims Fund to a single payee and maintain only one list of unpaid outstanding warrants. A cash transfer letter is prepared monthly to the County Treasurer which transfers cash from the various operating funds for the appropriate amount to the Claims Fund in an amount equal to unremitted payroll liabilities (if the "net pay method" is used in the Payroll Fund) and warrants issued against the Claims Fund. Fund is optional and may be discontinued by the County Treasurer.

88 INVESTMENT EARNINGS CLEARING FUND - The Investment Earnings Clearing Fund is an agency fund used to account for total earnings on investments. The total amount in the fund is distributed monthly, usually on a percentage basis of month-end cash in each fund to total cash to the appropriate funds which generated the investment earnings. This fund may be used when approved by the Office of Public Instruction.

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

* Per GASB 54 a Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. Depending on your district's treatment of fund balance, the funds on this list may or may not meet

3-0200.30 SCHOOL FUND DEFINITIONS (cont'd)

the definition, and therefore may be combined with the General Fund for financial reporting purposes

89 RETIREMENT/COBRA INSURANCE FUND - The Retirement/COBRA Insurance Fund is authorized by Section 2-18-704, MCA, to account for the receipt and disbursement of premium payments received from former district employees who have retired or terminated employment and elected to continue to participate in the district's health insurance program.

90-94 MISCELLANEOUS AGENCY FUNDS - Miscellaneous Agency Funds A and B are used to account for miscellaneous receipts and disbursements of payments received by a school district which are remitted to some third party. These funds may be used when approved by the Office of Public Instruction.

95 CAFETERIA/FLEX PLAN FUND - The Cafeteria/Flex Plan Fund is used for cafeteria plans under IRC Section 125 administered by a third party. The assets in Fund 95 should correspond to an equal liability amount owed to employee participants of the plan plus accumulated net earnings.

ACCOUNTABILITY SCHEDULES

SCHEDULE OF CHANGES IN FIXED ASSETS (SCFA) - Used to track additions, deletions, and depreciation of fixed (capital) assets, except fixed assets related to fiduciary funds.

SCHEDULE OF CHANGES IN LONG TERM LIABILITIES (SCLTL) - Used to track additions and reductions of long-term liabilities, except long-term liabilities related to fiduciary funds.

BALANCE SHEET ACCOUNTS, REVENUE ACCOUNTS AND EXPENDITURE ACCOUNTS CHART OF ACCOUNTS

3-0300.00

ACCOUNT STRUCTURE FOR

3-0300.10 ACCOUNT DEFINITION

An account is defined as a descriptive heading under which are recorded financial transactions that are similar in terms of a given frame of reference, such as purpose, object, or source. The classification and structure of accounts are the framework around which an accounting and reporting system is developed. The test for adequacy of an account structure is, “Does it provide the information necessary for administrative decision making and reporting purposes?”

Balance sheet accounts, consisting of assets, liabilities, and fund equity, are referred to as real accounts and continue from year to year. Revenue and expenditure accounts are referred to as nominal accounts since these accounts accumulate activity for one accounting period only. The phrase “close the books” means that all nominal account balances have been transferred to the fund equity accounts. Nominal accounts always begin the new accounting period with a zero balance. Collectively, balance sheet accounts are referred to as the “general ledger” or “GL.” Revenue and expenditure accounts are referred to as the “subsidiary ledger” or “SL.”

3-0300.20 NATIONAL ACCOUNT STRUCTURE

The account structure will be a master classification of balance sheet, revenue, and expenditure accounts from which selections can be made for reporting comparable transactions on a uniform basis. In order to facilitate meaningful cost data comparisons with national educational statistics and meet reporting requirements of various federal revenue sources, the account structure will be based on the structure proposed in Financial Accounting for Local and State School Systems, published by the U.S. Department of Education. The structure is flexible and will allow for expansion to meet increased reporting needs as well as unique needs of the individual user.

3-0300.30 BALANCE SHEET ACCOUNT STRUCTURE

The account structure for balance sheet accounts consists of a three digit fund number (see Topic 3-0200.10) and a three digit balance sheet account number (see Topic 3-0400.10).

Balance Sheet Account Structure:

X X X	X X X	X X X
District/Fund	Balance Sheet Account	Project Reporter Code-Optional

Balance sheet accounts are based upon five principal groups, which are:
(1) Accounts 100 - 200 Assets and Other Debits
(2) Accounts 400 - 499 Budgeting/Nominal Accounts-Revenue Control
(3) Accounts 600 - 699 Liabilities, Deferred Revenues, and Other Credits
(4) Accounts 800 - 899 Budgeting/Nominal Accounts-Expenditure Control
(5) Accounts 900 - 999 Equity

Within each group, the accounts are arranged in the order in which they normally appear on the balance sheet. The Budgeting/Nominal Accounts-Revenue and Expenditure Control classifications

BALANCE SHEET ACCOUNTS, REVENUE ACCOUNTS AND EXPENDITURE ACCOUNTS are for interim report purposes only. These accounts are not included with balance sheet accounts on year-end financial statements because they are nominal accounts; that is, they are closed to fund balance at the end of a fiscal period and relate only to that period. Their inclusion on interim financial statements is recommended, however, and so they are included with the balance sheet accounts.

ACCOUNT STRUCTURE FOR

3-0300.40 REVENUE/OTHER FINANCING SOURCES ACCOUNT STRUCTURE

The account structure for revenue and other financing sources accounts consists of a three digit fund number (see Topic 3-0200.10) and a four digit source account (see Topic 3.0500.10). A three digit project reporter is also used for special accounting and reporting purposes for state and federal grants or other special reporting projects (see Topic 3-0600.50).

X X X	X X X X	X	X	X
District/Fund	Subsidiary Source	Project Reporter Code-Optional		

The first digit of the subsidiary source account number designates the first level of reporting for one of the following six broad categories of revenue sources. The next three digits provide additional summary levels within one of the six categories.

Current or Recurring

1000 - Revenue from Local Sources
2000 - Revenue from County Sources
3000 - Revenue from State Sources
4000 - Revenue from Federal Sources

A. Fund	Three digits
B. Operational Unit (Optional)	Two digits
C. Program	Three digits
D. Function	Four digits
E. Object	Three digits
F. Project Reporter	Three digits

X X X	X X	X X X	X X X X	X X X	X X X
Fund	Oper Unit (Optional)	Program	Function	Object	Project Reporter -Optional

Non-Current or Non-Recurring

5000 - Other Financing Sources
6000 - Adjustments to Beginning Fund Balance

3-0300.50 EXPENDITURE/OTHER FINANCING USES ACCOUNT STRUCTURE

BALANCE SHEET ACCOUNTS, REVENUE ACCOUNTS AND EXPENDITURE ACCOUNTS

The expenditure and other financing uses account structure is the most extensive. It is designed to give the desired informational breakdown of expenditures and other financing uses without being overly cumbersome. As mentioned, the structure is flexible and will allow for expansion to meet increased reporting needs. The account structure includes the following dimensions:

A. **Fund** - The fund numbers are described in detail in Topic 3-0200.10.

B. **Operational Unit** - (optional) is used to denote an instructional center or individual school unit. Individual organization codes are not intended to be used for departments, sections or other cost centers. This level of subdivision can be accomplished using the functional category codes. A district-wide code can be used for those expenditures not applicable to other organization categories. See Topic 3-0600.10.

ACCOUNT STRUCTURE FOR

3-0300.50 EXPENDITURE/OTHER FINANCING USES ACCOUNT STRUCTURE (cont'd)

C. **Program** - A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. The program dimension provides the school district the framework to classify expenditures by program for cost determination purposes. See Topic 3-0600.30.

D. **Function** - refers to the purpose for which an activity or program exists or is used. It includes the area subfunctions, activities, and subactivities performed to accomplish general objectives. Expenditures are classified by function to provide comparability between communities and states and to assist in decision making. See Topic 3-0600.40.

E. **Object** - refers to the good or service obtained. See Topic 3-0600.50.

F. **Project Reporter** - The project reporter code permits a school district to accumulate expenditures to meet a variety of specialized reporting requirements at local, state and federal levels. A unique project reporter code should be assigned to the revenue and expenditure accounts used to account for each grant or project. This code permits the user to relate expenditures to a specific revenue source. It is designed specifically for state and federal grants, but may be used to track local projects within a fund. See Topic 3-0600.50.

The following table shows uses for project reporter codes:

001 - 899	To be assigned by districts as needed. For federal grants, OPI recommends using the OPI "money type" as the first two digits to designate the funding source, authority or expenditure purpose. Refer to OPI's Grants Handbook for a list of these money type

BALANCE SHEET ACCOUNTS, REVENUE ACCOUNTS AND EXPENDITURE ACCOUNTS

codes. The third digit may be used to designate a special project or fiscal year.

900 - 909	Reserved
910 - 949	Assigned by OPI for budget amendments under MCA 20-9-161.
950 - 959	Assigned by OPI for budget transfers under MCA 20-9-208.

BALANCE SHEET ACCOUNTS, REVENUE ACCOUNTS AND EXPENDITURE ACCOUNTS CHART OF ACCOUNTS

ACCOUNT STRUCTURE FOR

3-0300.60 ACCOUNT STRUCTURE SUMMARY

The underline type in each account category represents the level of detail that will usually be required for reporting to the Office of Public Instruction on the Trustees Financial Summary (TFS). For example, a school district may use several function codes within 2300 General Administration, e.g. 2314 Election Services, 2315 Audit Services, 2321 Office of the Superintendent Services. The account balances in all of these functions beginning with 23 would be "rolled up" or subtotaled to the 23XX level (X is used here to indicate the level to roll up the account balances) for TFS purposes. Full account information at all levels may be requested for federal quarterly reports or as supplemental information to be attached to the TFS.

The smaller type represents additional informational levels that may be used at the option of the local school district administration.

Each separate block and the "X" in each block represent a summary level for reporting purposes.

Balance Sheet Accounts:

Assets, Liabilities, and Fund Equity Accounts:

X X X	X X X	X X X
District/Fund	Balance Sheet Account	Project Reporter Code-Optional

X X X	X X X X	X X X
District/Fund	Subsidiary Source	Project Reporter Code-Optional

Operating Statement Accounts

Revenue Accounts:

Expenditure Accounts:

X X X	X X	X X X	X X X X	X X X	X X X
District/Fund	Oper Unit (Optional)	Program	Function	Object	Project Reporter -Optional

3-0400.00 BALANCE SHEET ACCOUNT DEFINITIONS

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS

CHART OF ACCOUNTS

Assets and Other Debits - Budgeting/Nominal Accounts
Assets and Other Debits include what is owned and other items not owned as of the date of the balance sheet but expected to become fully owned at some future date. Budgeting and Nominal Accounts include control accounts 401 Estimated Revenue and Other Financing Sources and 402 Revenue and Other Financing Sources and are used for interim reporting purposes only. See Topic 3.0300.30 and 3.0700.10.

Code **Definition**

Assets

101 **Cash and Cash Equivalents**. All currency, coin, checks, money orders, and bank drafts on hand or on deposit with the county treasurer normally in non-interest bearing accounts. Include extracurricular savings accounts and certificate of deposits or other interest bearing instruments maturing within 90 days. See Section 20-9-212(1), MCA. The amount reported as Cash on the Trustees Financial Summary should be the total of cash less warrants payable account 620.

103 **Petty Cash**. A sum of money set aside for the purpose of paying small obligations for which the issuance of a formal voucher and warrant would be too expensive and time consuming. See Topic 5-1100.

104 **Change Cash**. A specific sum of money kept on hand to provide change in currency or coin.

105 **Cash with Fiscal Agents**. Deposits with fiscal agents, such as commercial banks, for the payment of matured bonds and interest.

110 **Investment Accounts Outside County Treasurer.** See Section 20-9-235, MCA

111 **Investments**. Securities held for the production of income in the form of interest. See Section 20-9-213(4), MCA and Topic 5-0900. Includes equity in shared investment pools under 20-9-213(4), MCA.

112 **Increases and Decreases in the Fair Value of Investments**. To report gains or losses on investments at market or fair value per GASB 31.

113 **Unamortized Discounts on Investments (Normal Credit Balance)**. The excess of the face value of securities over the amount paid for them which has not yet been written off. Use of this account is normally restricted to long-term investments.

114 **Interest Receivable on Investments**. The amount of interest earned on investments but not yet received in cash. This amount is usually calculated at the end of each fiscal year. Accrued interest purchased should be recorded in account 115. See Topic 5-0900.

115 **Accrued Interest on Investments Purchased**. Interest accrued on investments between the last interest payment date and date of purchase. The account is carried as an asset until the first interest payment date after date of purchase. Upon receipt and deposit of the

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

Code

interest, an entry is recorded debiting cash and crediting the Purchased account for the amount of interest purchased and crediting the 1510 Interest Earnings revenue account for the balance. See Topic 5-0900.

Definition

120 **Taxes Receivable-Real Property**. The uncollected portion of real property taxes which a school district has levied and which has become due. Separate accounts may be maintained on the basis of tax roll year and/or current and delinquent taxes. Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting the 680 deferred revenue account for the same amount. See Topic 50200.

129 **Allowance for Uncollectible Taxes - Real Property (Normal Credit Balance)**. The portion of real property taxes receivable estimated not to be collectable. The account is shown on the balance sheet as a deduction from the Taxes Receivable account to arrive at the net taxes receivable.

130 **Taxes Receivable—Personal Property**. The uncollected portion of personal property taxes (including mobile homes) which a school district has levied and which has become due. Separate accounts may be maintained on the basis of tax roll year and/or current and delinquent taxes. Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting the 680 deferred revenue account for the same amount. See Topic 5-0200.

139 **Allowance for Uncollectible Taxes—Personal Property (Normal Credit Balance)**. The portion of personal property taxes receivable estimated not to be collectable. The account is shown on the balance sheet as a deduction from the Taxes Receivable account to arrive at the net taxes receivable.

140 **Taxes Receivable-Other**. The uncollected portion of other taxes which a school district has levied and which has become due. Separate accounts may be maintained on the basis of tax roll year and/or current and delinquent taxes. Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting the 680 deferred revenue account for the same amount. See Topic 5-0200.

149 **Allowance for Uncollectible Taxes - Other (Normal Credit Balance)**. The portion of other taxes receivable estimated not to be collectable. The account is shown on the balance sheet as a deduction from the Taxes Receivable account to arrive at the net taxes receivable.

150 **Taxes Receivable—Protested Taxes**. The undistributed portion of taxes paid under protest maintained in the County Protested Tax Fund pending final court disposition. Separate accounts may be maintained on the basis of tax roll year, current and delinquent,

and type of tax. Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting the 680 deferred revenue account for the same amount. See Topic 5-0200.

159 **Allowance for Uncollectible Taxes—Protested Taxes (Normal Credit Balance)**. The portion of protested taxes receivable estimated not to be collectable. The account is shown on the balance sheet as a deduction from the Taxes Receivable account to arrive at the net taxes receivable.

160 **Interfund/Loan Receivable from Other Funds**. An asset account used to record an amount owed by one fund to another fund in the same school district. This account normally has the same amount as account 601 Interfund/Loan Payable to Other Funds. See Topic 5-0500.

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

Code

Definition

170 **Due from Other Funds**. An asset account used to indicate amounts receivable for goods or services provided to one fund by another fund in the same school district. This account normally has the same balance as account 606 Due to Other Funds. See Topic 5-0500.

180 **Due from Other Governments**. Amounts due to the reporting school district from another governmental unit. These amounts may represent grants-in-aid, shared taxes, taxes collected for the reporting unit by another unit, tuition, and charges for services rendered by the reporting district for another governmental entity. See Topic 5-0200.

190 **Accounts Receivable**. Amounts owing on open accounts from private persons, firms, or corporations for goods and services furnished by a school district (but not including amounts due from other funds or from other governmental units). See Section 2-18704(3), 20-6-607, 20-7-507, 20-7-704, 20-9-509, 20-9-214, 20-10-122, 20-10-123, and 20-10-204, MCA and Topic 5-0200.

199 **Allowance for Uncollectible Accounts Receivable (Normal Credit Balance)**. The portion of accounts receivable estimated not to be collectable. The account is shown on the balance sheet as a deduction from the Accounts Receivable account.

210 **Bond Proceeds Receivable**. An account used to designate the amount receivable upon sale of bonds.

220 **Inventories for Consumption - Material and Supplies**. The cost of supplies and materials on hand for future distribution to and consumption by requisitioning units. See Topic 5-0600.

230 **Inventories for Resale**. The value of goods held by a school district for resale rather than for use in its own operations. See Topic 5-0600.

240 **Prepaid Items**. Expenses entered in the accounts for benefits not yet received. Examples of prepaid expenses are prepaid rent, prepaid interest, and unexpired insurance premiums. See Topic 5-0700.

250 **Deposits**. Funds deposited by the school district as a prerequisite to receiving services and/or goods.

Non-current Assets. Those tangible assets which the school district intends to hold or continue in use over a long period of time greater than one year. Non-current assets include long-term

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

receivables which are expected to be collected after one year or longer and fixed assets such as land, buildings, improvements, and equipment.

Fixed asset accounts are used in proprietary and fiduciary funds. See Topic 5-1200.

311 **Land**. A fixed asset account which reflects the acquisition value of land owned by a school district. If land is purchased, this account includes the purchase price and costs such as legal fees, filling and excavation costs, and other associated improvement costs which are incurred to put the land in condition for its intended use. If land is acquired by gift, the account reflects its appraised value at time of acquisition. Land is not depreciated. See Topic 5-1200.

Definition

321 **Land Improvements**. A fixed asset account which reflects the acquisition value of permanent improvements, other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges. If the improvements are purchased or constructed, this account contains the purchase or contract price. If improvements are obtained by gift, it reflects the appraised value at time of acquisition.

By definition, "infrastructure assets" are immovable and of value only to the governmental unit (e.g., sidewalks, gutters, bridges). Land improvements are generally considered nonexhaustible assets because of their significantly long expected useful life. Therefore, land improvements are not normally depreciated. See Topic 5-1200.

331 **Buildings and Building Improvements**. A fixed asset account which reflects the acquisition value of permanent structures used to house persons and property owned by the school district. If buildings are purchased or constructed, this account includes the purchase or contract price of all permanent buildings and fixtures attached to and forming a permanent part of such buildings. This account includes all building improvements. If buildings are acquired by gift, the account reflects their appraised value at time of acquisition. See Topic 5-1200.

332 **Allowance for Depreciation of Buildings and Building Improvements (Normal Credit Balance)**. Accumulated amounts for depreciation of buildings and building improvements. The recording of depreciation is required in proprietary and fiduciary funds.

341 **Machinery and Equipment**. Tangible property of a permanent nature, other than land and buildings. Examples are machinery, tools, trucks, cars, buses, furniture, and furnishings. This account includes costs incurred in acquisition of machinery and equipment such as installation costs, freight, etc. If textbooks are considered fixed assets under Board policy, record their cost here. See Topic 5-1200.

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

Code

342 **Allowance for Depreciation of Machinery and Equipment (Normal Credit Balance)**. Accumulated amounts for depreciation of machinery and equipment. The recording of depreciation is required in proprietary and fiduciary funds.

351 **Construction Work in Progress**. The cost of construction work undertaken but not yet completed. This account is closed to 321 Land Improvements, 331 Buildings and Building Improvements, or 341 Machinery and Equipment as appropriate upon completion of construction. See Topics 5-1200 and 5-1400.

370 **Long-Term Receivables**. The long-term portion on amounts due to the school district from contracts, leases, or other long-term receivables. When initially established, longterm receivables are usually offset by crediting the 680 Deferred Revenue account for the same amount.

Budgeting Accounts and Other Debits. The 401 Estimated Revenues and Other Financing Sources account is a budget control account and has a debit balance. The 402 Revenue and Other Financing Sources Control account has a credit balance and is compared to 401 Estimated Revenues and Other Financing Sources account to determine the status of actual revenues collected or accrued. These nominal accounts are used for interim reporting purposes only. The 402 Revenue and Other Financing Sources Control account is closed to the 970 Fund Balance account and 401 Estimated Revenues and Other Financing Sources account is closed to 972 Budgetary Fund Balance at the end of the fiscal year.

Code **Definition**

401 **Estimated Revenues and Other Financing Sources Control Account (Normal Debit Balance/Budget Account).** This account normally has a debit balance and is used in conjunction with 801 Appropriations and 972 Budgetary Fund Balance. The total amount of estimated revenues and other financing sources to be received during the fiscal year is recorded in this account. This account is used only in budgeted funds and only appears in interim balance sheets prepared during the year. At the end of the fiscal year, this account is closed to 972 Budgetary Fund Balance and does not appear in the year-end balance sheet. See Topic 5-0200.

402 **Revenue and Other Financing Sources Control Account (Normal Credit Balance)**. The total of all revenues and other financing sources recognized during a fiscal year. This represents the increases in net current assets of governmental type funds and net total assets for proprietary funds. On balance sheets prepared during the year for budgeted funds, this account is compared to 401 Estimated Revenues and Other Financing Sources

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

account to determine the status of actual revenues collected or accrued. At the end of the fiscal period, this account is closed to 970 Unreserved Fund Balance and does not appear in a balance sheet prepared at the close of the fiscal period. See Topic 5-0200.

490 **Non-Budgeted Revenues - GAAP Purposes.** This account is offset by 890 NonBudgeted Expenditures and is used for special GAAP reporting purposes for items such as capital leases. GAAP requires that the total principal portion of capital leases be recorded as revenue and expenditure in the year the capital lease is made. The 490 and 890 accounts are used to prepare GAAP financial statements and do not appear on the Annual Trustees Financial Summary which is prepared on the budgetary basis. See Topic 5-1330.

Liabilities, Deferred Revenue, Budgeting, and Fund Equity Accounts
Liability accounts are used to record debts or other amounts owed by the school district.

The 680 deferred revenue account is used to account for amounts which have met asset recognition criteria but not revenue recognition criteria. Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting a deferred revenue account for the same amount.

The 801 Appropriations account is a budget control account and has a credit balance. The 802 Expenditure and Other Uses and 803 Encumbrance Control Accounts have debit balances and are compared to the 801 Appropriations account for budget control purposes. These accounts are used only for interim reporting purposes during the year. The 802 Expenditure Control and Other Uses and 803 Encumbrance Control accounts are closed to the 970 Fund Balance account and the 801 Appropriations account is closed to 972 Budgetary Fund Balance at the end of the fiscal year.

Fund equity accounts represent the difference between fund assets and fund liabilities. Reserved fund equity accounts describe the portion of fund balance that is (1) not available for appropriation and/or (2) is legally segregated for a specific future use.

Code **Definition**

Current Liabilities. Those debts the school district expects to pay within a short period of time, usually within a year or less.

601 **Interfund/Loan Payable to Other Funds**. A liability account used to record a debt owed by one fund to another fund in the same school district. This account normally has the same balance as account 160 Interfund/Loan Receivable from Other Funds. See Topic 5-0500.

606 **Due to other Funds**. A liability account used to indicate amounts owed for goods or services provided to one fund by another fund in the same school district. This account normally has the same balance as account 170 Due from Other Funds. See Topic 50500.

611 **Due to other Governments**. Amounts owed by the reporting school district to another governmental unit. These amounts may represent grants-in-aid, shared taxes, taxes collected by the reporting unit for another unit, loans, and charges for services rendered to the reporting district by another governmental entity. See Topic 5-0200.

620 **Warrants Payable**. Liability for warrants issued but unredeemed by the county treasurer. See Section 20-9-212, 20-9-220, 20-9-221, and 20-9-223, MCA. The balance in the warrants payable account should equal the total of the monthly list of outstanding unpaid warrants and is the reconciling item between the district and county treasurer. See A.R.M. 10.10.501(3). The amount reported as Cash on the Trustees Financial Summary should be the total of cash less warrants payable.

621 **Accounts Payable**. Liabilities on open account owing to private persons, firms, or corporations for goods and services received by a school district (but not including amounts

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

due to other funds of the same school district or to other governmental units). See 20-9-207, 20-9-209, 20-9-210, 20-9-221, and 20-9-226, MCA and Topic 5-0300.

Code	Definition

622 **Judgments Payable**. Amounts due to be paid by a school district as the result of court decisions, including condemnation awards in payment for private property taken for public use. See Section 20-9-161(3), 15-1-402(6)c and 20-9-403(e), MCA and Topic 51300.

623 **Registered Warrants Payable**. Liability for unredeemed warrants which have been registered for payment by the county treasurer. See Section 20-9-212 and 7-6-2604, MCA.

630 **Contracts Payable/Lease Obligations - Current**. Amounts due on contracts or leases for assets, goods, and services received by a school district. See Section 20-6-609, 20-6625, 20-10-110, MCA and Topics 5-0300 and 5-1300.

631 **Construction Contract Retainage Payable**. Amounts due on construction contracts pending final inspection, or the lapse of a specified time period or both. The unpaid amount is usually a stated percentage of the contract price. See Topic 5-1400.

632 **Construction Contracts Payable**. Amounts due on contracts for construction of buildings, structures, and other improvements. See Topic 5-1400.

640 **Matured Bonds Payable**. Unpaid bonds which have reached or passed their maturity date. See Topic 5-1300.

641 **Bonds Payable - Current**. Bonds which have not reached or passed their maturity date but are due within one year or less. See Topic 5-1300.

642 **Unamortized Premiums on Bonds Sold**. This account is used only in Proprietary Funds. An account which represents that portion of the excess of bond proceeds over par value and which remains to be amortized over the remaining life of such bonds. For premiums received on general obligation bonds refer to definition for revenue source 5110.

650 **Notes or Loans Payable - Current**. Short-term tax anticipation notes or the current portion of long-term notes (see liability account 720) made with Board of Investments as provided by Section 7-6-1101 through 7-6-1116 and 20-9-471, MCA. See Topic 5-1300.

655 **Matured Interest Payable**. Unpaid interest on notes or bonds which have reached maturity date. See Topic 5-1300.

656 **Accrued Interest Payable - Current**. Accrued interest on registered warrants or notes and bonds which have not reached their maturity date but are due within one year or less. Occasionally bonds are sold in between interest payment dates. Accordingly accrued interest is paid by the bondholders at the time of the initial bond sale and then returned

when the first interest payment is made. This accrued interest is recorded here. See Topic 5-1300.

660 **Accrued Operating Expenses Payable**. Operating expenses incurred in the current accounting period which are not payable until a subsequent accounting period. See Topic 5-0300.

CHART OF ACCOUNTS

Code **Definition**

661 **Accrued Salaries and Benefits Payable**. Salary and fringe benefit costs incurred during the current accounting period but which are not paid until a subsequent accounting period. See Topic 5-0300.

670 **Payroll Deductions and Withholdings Payable**. Amounts deducted from employees' salaries for withholding taxes and other purposes. A separate liability account may be used for each type of deduction. See Topics 5-0300 and 5-0800. Includes a liability for unexpended cash balances from a flex plan from fund 95.

680 **Deferred Revenues**. The deferred revenue account is used to account for amounts which have met asset recognition criteria but not revenue recognition criteria of "measurable and available." Under modified accrual accounting, taxes receivable less allowances for uncollectible taxes are offset by crediting the deferred revenue account for the same amount. Rent or fees received in advance and long-term receivables such as the lease-sale of a building are other examples of deferred revenue. See Topic 5-0200.

690 **Deposits Payable**. Liability for deposits received as a prerequisite to receiving services and/or goods such as cash bid bonds or cash performance bonds. See Section 18-2-201, MCA.

695 **Due to Fiscal Agent**. Amounts due to fiscal agencies, such as commercial banks, for servicing a school district's matured indebtedness.

Long-Term Liabilities. The remaining portion of debt that is not due within the current year.

710 **Bonds Payable/Non-Current**. The remaining principal on bonds which are not due within the current year. See Topic 5-1300.

720 **Notes Payable/Non-Current**. The non-current balance remaining due on notes made with the Board of Investments as provided in Section 20-9-471, MCA, or notes sold in anticipation of federal or state revenue as provided in Section 7-7-109, MCA. See Topic 5-1300.

730 **Lease Obligations/Non-Current**. Principal remaining to be paid on lease purchase agreements and capital leases. See Section 20-6-609, 20-6-625, 20-10-110 MCA. See Topic 5-1300.

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

740 **Contracts Payable**. Amounts remaining unpaid on contractual agreements including mortgages. See Topic 5-1300.

750 **Judgments Payable**. Long-term portion of judgments remaining unpaid. See Section 20-9-161(3), 15-1-402(6)c and 20-9-403(e), MCA. See Topic 5-1300.

760 **Compensated Absences Payable**. Accumulated liabilities for vacation and sick leave pay due to teaching or non-teaching personnel upon termination. See Topic 5-1300.

770 **Special Assessments Payable**. The remaining principal portion due on special assessments.

Budgeting/Nominal Accounts. The 801 Appropriations account is a budget control account and has a credit balance. The 802 Expenditures and Other Uses Control account and 803 Encumbrances Control account have debit balances. On balance sheets prepared during the fiscal year, the 802 Expenditure and Other Uses Control and 803 Encumbrances Control account are shown as deductions from the 801 Appropriations account to arrive at the total unexpended balance of appropriations. These accounts are used only for interim reporting purposes during the year. The 802 Expenditure and Other Uses Control and 803 Encumbrance Control accounts are closed to the 970 Fund Balance account and the 801 Appropriations account is closed to 972 Budgetary Fund Balance at the end of the fiscal year.

Code **Definition**

801 **Appropriations (Normal Credit Balance/Budget Account)**. This account normally has a credit balance and is used in conjunction with the 401 Estimated Revenues and Other Financing Sources account and 972 Budgetary Fund Balance account. The total amount of estimated expenditures and other financing uses is recorded in this account. This account is used only in budgeted funds and only appears in interim balance sheets prepared during the year. At the end of the fiscal year, this account is closed to 972 Budgetary Fund Balance and does not appear in the year-end balance sheet.

802 **Expenditures and Other Uses Control Account (Normal Debit Balance)**. This account designates the total of expenditures paid or accrued in a fiscal year. On balance sheets prepared during the year for budgeted funds, this account is shown as a deduction from the 801 Appropriations account to arrive at the total unexpended and unencumbered balance of appropriations. This account is closed to 970 Unreserved Fund Balance and does not appear in the year-end balance sheet. See Topic 5-0300.

803 **Encumbrances Control Account (Normal Debit Balance/Budget Account)**. This account designates obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which part of the appropriation is reserved. On interim balance sheets, encumbrances are deducted along with the expenditures from the Appropriations account to arrive at the unencumbered balance of appropriations. At the end of the fiscal year, the balance in the Encumbrances

account is usually transferred to 802 Expenditures Control (budgetary basis). This account usually does not appear in the year-end balance sheet. See Topic 5-0400.

890 **Non-Budgeted Expenditures - GAAP Purposes.** This account is offset by 490 NonBudgeted Revenues and is used for special GAAP reporting purposes for items such as capital leases. GAAP requires that the total principal portion of capital leases be recorded as revenue and expenditure in the year the lease is entered into. The 490 and 890 accounts are used to prepare GAAP financial statements and do not appear on the Annual Trustees Financial Summary which is prepared on the budgetary basis. See Topic 5-1330.

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

Fund Equity Accounts. These accounts show the difference between fund assets and fund liabilities. Agency funds do not have fund equity accounts. In governmental type funds, the reserved fund balance accounts indicate that a portion of the fund balance is not available for appropriation or is legally segregated for a specific future use. The Unreserved Fund Balance Account represents the amount which is available for reappropriation.

Code **Definition**

Proprietary Funds / Accounts 920 - 940

921 **Capital Assets, Net of Related Debt**. This account is used to record the net asset component invested in capital assets, net of related debt, which represents total capital assets less accumulated depreciation less debt directly related to capital assets. This account is to be used in proprietary funds only.

930 **Restricted Net Assets**. This account is used to record the net assets component– restricted net assets—which represents net assets restricted by sources internal or external to the organization. This account is to be used in proprietary funds only.

940 **Unrestricted Net Assets**. This account is used to record the net asset component—unrestricted net assets — which represents net assets not classified in accounts 921 and 930. This account is to be used in proprietary funds only.

Governmental Funds / Accounts 950-972

951 **Fund Balance - Reserve for Inventories**. A reserve established equal to the balance in the related asset accounts 220 and 230 when the purchase method of accounting for inventories is used. This account may not be used if the consumption method of accounting is used. See Topic 5-0600.

952 **Reserved**.

953 **Fund Balance - Reserve for Encumbrances**. A reserve which segregates a portion of a fund balance for commitments related to purchases of personal property or construction in progress. See Topic 5-0400.

954 **Fund Balance - Reserve for Endowments**. A reserve representing the amount of endowment principal that is legally restricted for endowment purposes. Use only in Permanent Endowment Fund (45) and Private Purpose Trust Fund (81).

960 **Fund Balance - Reserve for Non-Current Assets**. A reserve which segregates a portion of a fund balance to indicate that non-current assets are not available for appropriation. The balance in this account must be equal to the balances in the related non-current asset accounts.

961 **Fund Balance - Reserve for Operations**. A reserve established by the Board of Trustees which segregates a portion of a fund balance to provide operating reserves in accordance with Section 20-9-104, 20-10-144, 20-9-501(3), and 20-7-713, MCA. See reserve limits specified in those MCA sections.

CHART OF ACCOUNTS

3-0400.10 DEFINITIONS OF BALANCE SHEET ACCOUNTS (cont'd)

Code **Definition**

963 **Reserve for Unused Protested/Delinquent Taxes.** A reserve established by the Board of Trustees which segregates a portion of a fund balance as provided in Section 20-9104, MCA, for the unused receipts of taxes protested in a prior fiscal school year, and unused receipts of delinquent taxes. Penalties and interest received with delinquent and protested taxes may be included in the reserve; however, interest earned on the reserve itself once it is retained by the district may not be included in the reserve. Retain documentation to verify this reserve.

964 **Reserve for Unused Tax Audit Receipts**. A reserve established by the Board of Trustees which segregates a portion of a fund balance as provided in 20-9-104(56), MCA for unused receipts from a Department of Revenue tax audit. Penalties and interest received from the tax audit may also be included; however, interest earned on the reserve itself once it is retained by the district may not be included in the reserve. Retain documentation to verify this reserve.

966 **Reserved.**

970 **Unreserved Fund Balance**. The excess of the assets of a fund over its liabilities and reserves. The Unreserved Fund Balance account represents the amount which is available for reappropriation.

971 **(Reserved.)** See revenue source code 9710 for recording residual transfers in and expenditure program code 999, function 9999, and object 971 for recording residual equity transfers out.

972 **Budgetary Fund Balance**. This account is used to record the difference between the 401 Estimated Revenues and Other Financing Sources account and the 801 Appropriations account. This difference should equal the amount of fund balance reappropriated or the anticipated increase to operating reserves. The balance in this account must be zero after the 401 and 801 accounts are closed to this account at fiscal year end.

980 **Assets Held in Trust.** This account represents the net assets for fiduciary funds. The balance in this account is the difference between the total assets and total liabilities of the fund. The title of the account depends on the type of fiduciary fund:

Pension Funds: "Assets Held in Trust for Pension Benefits"
Investments Funds: "Assets Held in Trust for Pool Participants"
Private Purpose Trust Funds: "Assets Held in Trust for Other Purposes"

3-0500.00 REVENUE AND OTHER FINANCING SOURCES

3-0500.10 REVENUE AND OTHER FINANCING SOURCES ACCOUNTS

Revenue and other financing sources accounts have a normal credit balance and are used to describe all of the financial resources recognized during a fiscal year. These accounts represent the increases in net current assets of governmental type funds and net total assets for proprietary funds.

Revenue subsidiary source accounts are nominal accounts and always begin each fiscal year with a zero balance. During the fiscal year, school districts have the option of recording the total debits and credits in these accounts on a monthly basis to the 402 Revenue and Other Financing Sources Control Account or recording debits and credits directly to each revenue subsidiary source account. When the 402 control account is used, the total of all subsidiary revenue and other financing sources account balances must equal the balance in the 402 control account. This is usually checked on a monthly basis.

At the end of the fiscal year, the subsidiary accounts **or** the 402 Revenue and Other Financing Sources Control Account are transferred ("closed out") to 970 Unreserved Fund Balance. Revenue and other financing sources accounts appear in the operating statement prepared at the close of the fiscal year.

3-0500.20 REVENUE AND OTHER FINANCING SOURCES ACCOUNT STRUCTURE

The account structure for revenue and other financing sources accounts consists of a three digit fund number (see Topic 3-0200.10) and a four digit source account (see Topic 3.0500.10). A three digit project reporter is also used for special accounting and reporting purposes for state and federal grants or other special reporting projects (see Topic 3-0600.50).

X X X	X X X X	X	X	X
District/Fund	Subsidiary Source	Project Reporter Code-Optional		

The first digit of the subsidiary source account number designates the first level of reporting for one of the following six broad categories of revenue sources. The next three digits provide additional summary levels within one of the six categories.

Current or Recurring

1000 - Revenue from Local Sources
2000 - Revenue from County Sources
3000 - Revenue from State Sources
4000 - Revenue from Federal Sources

Non-Current or Non-Recurring

5000 - Other Financing Sources
6000 - Adjustments to Beginning Fund Balance

7000 – American Recovery & Reinvestment Act (ARRA). ARRA coding is provided at the following link - http://www.opi.mt.gov/pdf/schoolfinance/ARRA/Guidance_ARRA.pdf

3-0500.30 PROJECT REPORTER CODES

The project reporter code permits a school district to accumulate revenues and expenditures to meet a variety of specialized reporting requirements. It is designed specifically for state and federal grants, but may be used for other special reporting purposes. The project reporter code can be configured in any manner to meet individual user needs. It is optional except when expenditures must be reported by funding source such as federal and state grants. Any three digit number may be assigned as project reporter code except that codes in the range 910-999 are reserved for assignment by the Superintendent of Public Instruction. When a project reporter code is used it should be defined on the last page of the Trustees Financial Summary.

Local, State and Federal Grants

A unique project reporter code must be assigned to the revenue and expenditure accounts used to account for each local, state or federal grant. The first two digits may be used to designate a specific funding source, authority, OPI money type, or expenditure purpose and the third digit may be used to designate a specific project or fiscal year. This code permits the user to relate expenditures to a specific revenue source when the same project reporter code is assigned to the expenditure and revenue accounts used to account for a state or federal grant.

For example, the first two digits could be used as follows:
77 - Federal Handicapped IDEA Part B Grant

The third digit could be used to designate the fiscal period.
8 = 2008
9 = 2009

778 => 2008 Federal Handicapped IDEA Part B Grant
Revenue: X15-4560-778
Expenditure: X15-456-1000-112-778

779 => 2009 Federal Handicapped IDEA Part B Grant
Revenue: X15-4560-779
Expenditure: X15-456-1000-112-779

Project Reporter Numbers:

000 - 899	To be assigned by district as needed.
900 - 909	Reserved
910 - 949	Assigned by OPI when a budget amendment is approved.
950 - 959	Assigned by OPI for cash budget transfers under MCA 20-9-208.

Special Reporting Purposes

The project reporter code must also be used to track emergency/budget amendment expenditures. OPI will assign a project reporter for each budget amendment. For example:

910 - General Fund Budget Amendment Expenditure: 101-100-1000-112-**910**

A project reporter code could also be used to meet specialized reporting requirements. For example a district may wish to track special education expenditures by state sources and district sources:

111 - Special Education - State Sources Expenditure: 101-280-1000-610-**111**
112 - Special Education - District sources Expenditure: 101-280-1000-610-**112**

3-0500.40 DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS

Code **Definition**

Revenue from Local Sources

Taxes. Compulsory charges levied by a school district for the purpose of financing services performed for the common benefit.

1110 **District Tax Levy**. Taxes levied on property within the school district.

1111 **District Levy — Real Property**. Includes the voted and permissive amounts levied Ad Valorem on the real property in the school district. Record current and current year delinquent and/or protested collections here.

1112 **District Levy — Personal Property**. Includes the voted and permissive amounts levied Ad Valorem on the personal property in the school district. Record current and delinquent collections here.

1113 **District Levy — Special Mobile Equipment**. Personal property taxes on special mobile equipment. (61-3-431, MCA)

1114 **District Levy—Personal Property/Mobile Homes**. Includes the voted and permissive amounts levied Ad Valorem on the mobile homes in the school district. Record current and current year delinquent and/or protested collections here.

1115 **Reserved**.

1116 **District Levy—Net and Gross Proceeds**. Includes the voted and permissive amounts levied Ad Valorem on mine net proceeds (Section 15-23-part 5) and gross proceeds on metal mines (Section 15-23-part 8). Record current and delinquent collections here.

1117 **District Levy—Distribution of Prior Year's Protested/Delinquent Taxes**. Distributions from the County Protested Tax Fund based upon a court decree in settlement of protested taxes of a prior year and/or distributions of delinquent taxes of a prior year to be used if identifying prior year collections as excess reserves. Investment earnings included with the initial distribution should be reported here. Subsequent investment earnings should be recorded using revenue source 1510. Usually only used in General Fund. Reported in 1110, 1111, or 1112 in other budgeted funds.

1118 **District Levy—Department of Revenue Tax Audit Receipts**. Distributions of additional Ad Valorem taxes, penalties and interest resulting from an audit by the Department of Revenue. See A.R.M. Title 10 Chapter 46. Usually only used in General Fund. Reported in 1110, 1111, or 1112 in other budgeted funds.

Code **Definition**

1123 **Coal Gross Proceeds**. A flat tax on the value of coal production effective fiscal year 1990 1991. This tax is not a part of the taxable valuation and should be budgeted for as Non-Tax Revenue. See Section 15-23-703, MCA

1130 **Tax Title and Property Sales**. Amounts collected from the sale of real property sold to collect the property taxes owed against it. See Section 7-8-2306, MCA

1190 **Penalties and Interest on Taxes**. Amounts collected as penalties for the payment of taxes after the due date and the interest charged on delinquent taxes from the due date to the date of actual payment. Do not use 1110 District Levy to record penalties and interest on taxes. See AGO Vol 42 No 71.

Tuition and Fees. Revenue from outside sources for education provided by the local school.

1310 **Individual Tuition**. Revenue from individuals for students attending daytime sessions during regular school term. See Section 20-5-320, 20-5-324, and 20-9-141, MCA.

1311 **Driver's Education Fees**. Fees from individuals for students attending driver's education sessions during regular school term. Fees collected for the summer session should be recorded using revenue source 1982. See Section 20-7-507, MCA.

1320 **School Tuition from Other School Districts within State**. Revenue from other school districts or counties within the state for students attending day school sessions during the regular term. Section 20-5-320, 20-5-324, and 20-9-141, MCA.

1330 **School Tuition from Other School Districts outside State**. Revenue from other school districts outside the state for students attending day school sessions during the regular term. Section 20-5-320, 20-5-324, and 20-9-141, MCA.

1340 **Fees for Adult Education**. Revenue for students attending adult education courses. Section 20-7-704, MCA.

Transportation Fees. Revenue from transporting students to and from school and school activities.

1410 **Individual Transportation Fees**. Revenue from individuals for transporting ineligible or non-public students to and from daytime sessions during the regular school term. See Section 20-10-122 and 20-10-123, MCA.

1420 **Transportation Fees from Other School Districts within the State**. Section 20-10144.

1430 **Transportation Fees from Other School Districts outside the State**. Section 20-10144.

1440 **Other Transportation Fees**. Revenue from transporting students to school activities. Section 20-9-214, MCA.

Earnings on Investments. Revenue from holdings invested for earning purposes.

1510 **Interest Earnings**. Interest revenue on investments in United States obligations, saving accounts, time certificates of deposit, STIP, or other interest-bearing investments.

Interest on capital leases is included here. See Section 20-9-213 and 20-6-607, MCA. Also record dividends on investments here.

1530 **Net Increase (Decrease) in the Fair Value of Investments**. To report gains or losses on investments from market or fair value changes in accordance with GASB 31. Gains realized from the sale of U.S. Treasury Bills represent interest income and should be credited to account 1510.

Code

DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS (cont'd)

Definition

Food Service. Revenue from food sales to students and adults. Section 20-10-207, MCA.

Daily Sales—Reimbursable Programs. Revenue from students for the sale of breakfasts, lunches and milk which are considered reimbursable by the United States Department of Agriculture.

1611 **National School Lunch Program**. Revenue from students for the sale of reimbursable lunches as part of the National School Lunch Program.

1612 **School Breakfast Program**. Revenue from students for the sale of reimbursable breakfasts as part of the School Breakfast Program.

1613 **Special Milk Program**. Revenue from students for the sale of reimbursable milk as part of the Special Milk Program and Kindergarten Milk Program.

1614 **Snack Program.** Revenue from students for the sale of reimbursable snacks as part of the School Snack Program.

Daily Sales—Non-Reimbursable Programs. Revenue from students for the sale of nonreimbursable breakfasts, lunches and milk. This category would include sales of a second type A lunch to pupils.

1621 **Lunch Sales**. Revenue from students for the sale of lunches that are not reimbursable by the National School Lunch Program.

1622 **Breakfast Sales**. Revenue from students for the sale of breakfasts that are not reimbursable as a part of the School Breakfast Program.

1623 **Milk Sales**. Revenue from students for the sale of milk that is not reimbursable as a part of the Special Milk Program and Kindergarten Milk Program.

1624 **Snack Sales**. Revenue from students for the sale of snacks that are not reimbursable as a part of the Snack Program.

1630 **Catering Sales.** Revenue from students, adults or organizations for the sale of food products and services considered special functions. Some examples would include potlucks, PTA-sponsored functions and athletic banquets.

1632 **Daily Adult Sales.** Revenue from adults for the sale of breakfasts, lunches, and milk. 1634

Daily Ala Carte Sales. Revenue from students or adults for daily ala carte sales.

1636 **Summer Program - Adult Sales.**

1700 **Student Extracurricular Activity Receipts**. Total revenue received from student extracurricular activities. See Section 20-9-214 and 20-9-504, MCA, and Topic 30200.20.

1800 **Revenue from Community Services Activities**. Revenue from community services activities operated by a school. For example, revenue received from operation of a skating facility by a school as a community service would be recorded here.

1900 **Other Revenue from Local Sources**. Other revenue from local sources which is not classified above. Record canceled prior period outstanding warrants for immaterial amounts here. Canceled prior period outstanding warrants for material amounts should be recorded using revenue source 6100 Material Prior Period Revenue Adjustments (Topic 5-0280). Other miscellaneous revenue would include library fines, photocopy fees, dividends from telephone and electric cooperatives, etc.

1910 **Rentals**. Revenue from the rental or lease of either real or personal property owned by the school. See Sections 20-6-607, 20-6-625, and 20-9-509, MCA.

1911 **Private Insurance - Audiological.** Revenue relating to Medicaid Reimbursements received from Private Insurance Companies. See Revenue Source 3351 for revenue received from S.R.S. for Medicaid - Audiological reimbursements.

1912 **Private Insurance - Physical Therapy.** Revenue relating to Medicaid Reimbursements received from Private Insurance Companies. See Revenue Source 3352 for revenue received from S.R.S. for Medicaid - Physical Therapy reimbursements.

1913 **Private Insurance - Occupational Therapy.** Revenue relating to Medicaid Reimbursements received from Private Insurance Companies. See Revenue Source 3353 for revenue received from S.R.S. for Medicaid - Occupational Therapy reimbursements.

1914 **Private Insurance - Speech Therapy.** Revenue relating to Medicaid Reimbursements received from Private Insurance Companies. See Revenue Source 3354 for revenue received from S.R.S. for Medicaid reimbursement.

1915 **Dormitory Charges.** Revenue from students or teachers' dormitories. See Section 20-9509, MCA.

1920 **Contributions and Donations from Private Sources**.
(1) Revenue from philanthropic foundations, private individuals, or private organizations for which no repayment or special service to the contributor is expected. May include one-time private grants. Usually deposited in the Permanent Endowment Fund (45), (non-expendable, district activities), Private Purpose Trust (81) (non-expendable scholarships and non-district activities), Miscellaneous Trust Fund (85)

Code **Definition**

(expendable scholarships and non-district activities), or Miscellaneous Programs Fund (15) (expendable, district activities). See Section 20-9-604, MCA; or

(2) Voluntary impact payments from developers deposited to the Building Fund (61). See Section 20-9-615, MCA; or

(3) Property Tax Prepayments from a mineral developer under section 90-6-309, MCA, deposited in the State Mining Impact Fund (25). Receipts and subsequent expenditures of the tax prepayments must be tracked separately from other receipts in the fund using project reporter codes (ARM 8.104.211(2)). The district must provide tax credits in later years to the company making prepayment, according to written agreements.

DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS (cont'd)

Definition

1921 **Grants and Contributions from Mineral Developers**. Money received from mineral developers under section 90-6-307, MCA, as grants and contributions. Deposit in the State Mining Impact Fund (25). Receipts and subsequent expenditures of the grants and contribution from mineral developers must be tracked separately from other receipts in the fund using project reporter codes (ARM 8.104.211(2)). Record mineral developer's tax prepayments under 1920.

1940 **Textbook Sales and Rentals**. Revenue from the rental or sale of textbooks. See Section 20-9-214 and 20-6-607, MCA.

1945 **User Fees/Resale of Supplies.** Fees charged pupils for breakage or excessive supplies used in commercial, industrial arts, music, science, or agricultural courses. Includes other fees charged for any course or activity not related to the graduation or activities conducted outside the normal school functions. See Section 20-9-214, MCA. Include charges for preschool or daycare services. See 1340 for Adult Education Fees, 1311 for Driver's Education Fees, and 1410 for Transportation Fees.

1950 **Services Provided Other School Districts or Cooperatives**. Revenue from services provided other school districts or cooperatives other than for tuition and transportation services. These services could include data processing, purchasing, maintenance, cleaning, consulting, guidance, in-service training, and speech and physical therapy. See expenditure object code 350 Contracted Services with Other School Districts or Cooperatives. Also see revenue source 5700 Resource Transfers from Other School Districts or Cooperatives and 5710 Special Education Resources Transferred from other school districts or cooperatives.

1960 **Services Provided Other Local Governmental Units.** Revenue from services provided other local governmental units other than school districts or cooperatives. These services could include transportation, data processing, purchasing, maintenance, cleaning, cash management and consulting.

1970 **Services Provided Other Funds**. Services provided other funds for services such as printing or data processing. This account should only be used with an Internal Service Fund (73-79). Includes the actuarially determined insurance premiums paid from other funds to a self insurance fund.

Code

1981 **Summer School - Fees.** Revenue from tuition paid by students for summer school. Transportation fees should be recorded using the 1400 series as appropriate.

1982 **Summer Session - Driver's Education Fees.** Fees from individuals for students attending driver's education sessions during the summer. Fees collected during the regular school term should be recorded using revenue source 1311. See Section 20-7507, MCA.

Revenue from County Sources. Revenues distributed by the county treasurer to the school district upon authorization by the county superintendent of schools.

2114 **County Metal Mines License Taxes**. Proceeds from metal mine license taxes distributed by the county treasurer to the Metal Mines Tax Reserve Fund (24). Only districts with metal mines receive this revenue (See Section 15-37-111, MCA).

2115 **County Hard Rock Mining Impact Trust Reserve Proceeds**. Proceeds from hard rock mine taxes distributed by the county treasurer to the Metal Mines Tax Reserve Fund (24). Only districts with hard rock mines receive this revenue (See Section 7-6-2225, MCA).

2220 **County Transportation Reimbursement**. Revenue distributed as authorized by the county superintendent to the elementary transportation fund from county transportation funds, for the county's share of on-schedule transportation reimbursement. See Section 20-10-146, MCA.

2240 **County Retirement Distribution**. Revenue distributed to the elementary and high school retirement funds as authorized by the county superintendent. See Section 20-3-205 and 20-9-501, MCA.

Revenue from State Sources.

Unrestricted Grants-in-Aid. Revenues received as grants which can be used for any legal purpose desired without restriction.

3110 **Direct State Aid**. State and county equalization aid in support of the General Fund Base Funding Program (Section 20-9-344, MCA). Proceeds of the current year's county wide 33 mill elementary levy (Section 20-9-331, MCA) and 22 mill high school levy (Section 20-9-331, MCA) collected at the county level are forwarded to the state. The state and county equalization aid is then sent to the school district by the state. Also use this code

Code	Definition

in the Tuition Fund (13) to record the receipt of state ANB reimbursements for tuition paid by the district to schools out of state.

3111 **Quality Educator Payment** (See sections 20-9-327 and 20-9-306, MCA). The quality educator payment is a component of the general fund BASE budget of the district supported by state and county equalization aid. Each district and special education cooperative receives funding for each full-time equivalent licensed educator and for other licensed professionals employed by the school district or cooperative, including registered nurses, licensed practical nurses, physical therapists, speech language professionals, psychologists, licensed social workers, counselors, occupational therapists and nutritionists.

3112 **At-Risk Student Payment** (See section 20-9-328, MCA). The at-risk student payment is a component of the general fund BASE budget of the district supported by state and county equalization aid to address the needs of at-risk students defined in 20-9-101, MCA and referred to in 20-9-309, MCA. The available appropriation is distributed in the same manner as Title I monies are distributed to schools.

Code **Definition**

3113 **Indian Education for All Payment** (See sections 20-9-329 and 20-9-306, MCA). The Indian education for all payment is a component of the general fund BASE budget of the district supported by state and county equalization aid to implement the provisions of the Montana constitution (Article X, section 1(2)) and the statutory requirements for the recognition of American Indian cultural heritage (20-1-501, MCA). A public school district that receives an Indian Education for All payment may not divert the funds to any purpose other than curriculum development, providing curriculum and materials to students, and providing training to teachers about the curriculum and materials. Use revenue source code 3113 for Indian Education for All payments deposited to the General Fund (01). Use revenue source code 3650 for One Time Only Indian Education for All payments deposited to the Miscellaneous Programs Fund (15). Expenditures for Indian Education for All should be coded using expenditure program code 365.

3114 **American Indian Achievement Gap Payment.** (See section 20-9-330 and 20-9-306, MCA). The American Indian achievement gap payment is a component of the general fund BASE budget of the district supported by state and county equalization aid for the purpose of closing the educational achievement gap that exists between American Indian students and non-Indian students. The payment is calculated using the number of American Indian students enrolled in the district on the first Monday in October of the prior school year.

3115 **State Special Education Allowable Cost Payment to District.** To be used by districts to record State Special Education Block Grants and Reimbursement revenue (Section 20-9-321, MCA). See revenue source 3233 for recording direct state payment to cooperatives for special education cooperatives.

3117 **State Tuition for State Placement** See section 20-5-323 and 20-5-324, MCA.

3120 **State Guaranteed Tax Base Aid ("GTB")** - General Fund **State Debt Service Facilities Acquisition Reimbursement and Advance** - Debt Service Fund
State payment to support a district's BASE mills in the General Fund when the district's mill value to BASE budget ratio is less than the statewide ratio. See Section 20-9-366 through 368, and 20-3-106(14), MCA. Also used to record facilities acquisition reimbursements or advances paid by the state to a district's debt service fund. See Section 20-9-371, MCA. (Note: The guaranteed tax base subsidy in support of the retirement fund is not recorded by a district, since it is included in the distribution by the county superintendent discussed in revenue source 2240.)

Restricted Grants-in-Aid. Revenue received as grants by the school district which must be used for a categorical or specific purpose.

3210 **State On-Schedule Transportation Reimbursement**. State's share of the On-Schedule costs of bus routes and individual transportation contracts, not to exceed 1/2 of the OnSchedule costs. See Section 20-10-145, MCA.

3220 **State Food Services Match**. See Section 20-10-201, MCA.

3231 **Reserved.**

Code **Definition**

3233 **State Special Education - Direct Payments to Cooperatives.** To be used only by special education cooperatives to record State Special Education Allowable Cost revenue. This includes the related services block grants received on behalf of member districts. See Section 20-7-451, 20-7-457, and 20-9-321, MCA. See 3115 for special education allowable cost revenue received by a district.

3234 **State Special Education Quality Educator Payment to Cooperatives**. See section 20-9-327, MCA. See 3111 for quality educator revenue received by a district.

3235 **State Audiology Contracts.** See Section 20-7-403(13), MCA.

3250 **Montana Digital Academy** See Section 20-7-1201, MCA

3260 **State Driver's Education Reimbursement**. See Section 20-7-507, MCA.

3270 **State Advancing Agriculture Education**. See Section 20-7-334, MCA

3281 **State Technology Aid.** See Section 20-9-533, MCA. Deposit in Technology Fund (28).

3282 **State Flex Fund Payment.** See Section 20-9-543, MCA. Deposit in Flexibility Fund (29)

3290 **State - Other State Grants.** Grants from OPI and various state agencies which are usually accounted for in the Miscellaneous Programs fund. If federal grants are received from state agencies other than the Office of Public Instruction, record these grants in revenue source 4700, Miscellaneous Federal Grants Passed through State Agencies Other Than OPI.

Example: Jobs for Montana Graduates (JMG) (MT Dept of Labor)

Revenue in Lieu of Taxes. Payments made out of general revenues by the state to the school district in lieu of taxes it would have had to pay had its property or tax base been subject to the taxation by the school district on the same basis as is privately owned property or other tax base. It would include payments made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the state.

3302 **State Payment In Lieu of Taxes - Fish, Wildlife and Parks.** Revenue received as provided by Section 87-1-604, MCA, and distributed at the discretion of the county commissioners.

3330 **State Hard Rock Mining Impact Aid** See section 90-6-307, MCA.

3340 **State Coal Board Grants.** State grants to the school district as determined by the Coal Board to offset start up costs due to new mining operations. See Section 90-6-208, MCA.

3351 **Medicaid - Audiological.** Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1911 for revenue received from Private Insurance Companies for Medicaid - related Audiological reimbursements. Deposit in Fund 15.

DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS (cont'd)

Definition

3352 **Medicaid - Physical Therapy.** Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1912 for revenue received from Private Insurance Companies for Medicaid - related Physical Therapy reimbursements.

3353 **Medicaid - Occupational Therapy.** Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1913 for revenue received from Private Insurance Companies for Medicaid - related Occupational Therapy reimbursements. Deposit in Fund 15.

3354 **Medicaid - Speech Therapy.** Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1914 for revenue received from Private Insurance Companies for Medicaid - related Speech Therapy reimbursements. Deposit in Fund 15.

3355 **Medicaid - Miscellaneous.** Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1900 for revenue received from Private Insurance Companies for Medicaid - related miscellaneous reimbursements. Deposit in Fund 15.

3356 **Medicaid - CSCT** - Comprehensive School and Community Services relating to mental health. Revenue received from DPHHS for Medicaid Reimbursements. See Revenue Source 1900 for revenue received from Private Insurance Companies for Medicaid - related miscellaneous reimbursements. Deposit in Fund 15.

3357 **Medicaid – Montana Administrative Claiming (MAC) Reimbursement**. Code expenditures using program 100 regular programs or 280 special education.

3358 **Medicaid – Paraprofessionals.** Revenue received from DPHHS for Medicaid Reimbursements.

State Shared Revenues. Revenues levied by state government which are shared with the school district based on a predetermined formula.

3444 **School Block Grant (HB124).** Established by HB124 beginning in FY2001-02, replacing motor vehicle fees, corporate license taxes, SB184 property tax reimbursements, state PILT, and state aeronautics fees. Paid by the state in November and May, deposited in General (01) and Transportation (10) Funds. See section 20-9-360, MCA.

3445 **Combined Fund School Block Grant (SB424).** Beginning in 2003-04, the combined block grant amount may be deposited into any budgeted fund of the district, as specified on the district's adopted budget. See section 20-9-360, MCA.

3460 **Montana Oil and Gas Tax.** The revenue is distributed according to 15-36-332(4), MCA. If the distribution to a district fund exceeds the total budget adopted for that fund, the district may reallocate the excess revenue to another budgeted fund of the district.

3470 **Montana Bentonite Tax.** See Distribution of taxes 15-39-110, MCA

Code	Definition

Code **Definition**

3600 **State Gifted and Talented Grant**. See 20-7-903, MCA.

3610 **State In-State Day Treatment Funds**. Paid by OPI on application when funds are available.

3620 **State Adult Education Reimbursement.** See Section 20-7-712, MCA.

3630 **State One Time Only Energy Cost Relief and Transportation** See HB 1 2005 Special Legislative Session. Paid in FY2006 and deposited in the Miscellaneous Programs Fund (15). Money may not be transferred to another fund and must be used only for utility and transportation expenditures program 363 and functions 26XX, 27XX, or 4XXX. There is no time limit on these expenditures of the funds.

3640 **State One Time Only Weatherization and Deferred Maintenance** See HB 1 2005 Special Legislative Session. Paid in FY2007 and deposited in the Miscellaneous Programs Fund (15). Money may not be transferred to another fund and must be used for weatherization and deferred maintenance expenditures using program code 364 and functions 26XX, 4XXX or 52XX. Funds not expended by June 30, 2009 will be reverted back to the state.

3650 **State One Time Only Indian Education for All** See HB 1 2005 Special Legislative Session. Paid in FY2007, FY2008 and FY2009. Deposit in the Miscellaneous Programs Fund (15) and the money may not be transferred to any other fund. Use program 365 to track expenditures. For 2007 funds may be spent on curriculum materials, travel for staff training, substitutes for staff on training or any item related to Indian Education for All. For 2008 and FY2009 funds may be spent on curriculum development, providing curriculum materials to students, and providing training to teachers about the curriculum and materials. There is no time limit on the expenditure of the funds. Use revenue source code 3113 for General Fund (01) Indian Education for All payments

3660 **State One Time Only Capital Investment and Deferred Maintenance.** See SB 2 May 2007 Special Legislative Session. Must deposit in the Miscellaneous Programs Fund (15) to be used for capital investment and deferred maintenance. Use program code 366 to track expenditures. Money may be retained for a period of ten years. Funds not expended by June 30, 2017 must be reverted back to the state.

3670 **State One Time Only Full-Time Kindergarten Start-up Cost.** See SB 2 May 2007 Special Legislative Session. The funds will be deposited into the Miscellaneous Programs Fund (15). The money may be used for any costs related to the startup of a full-time kindergarten program in accordance with 20-7-117, MCA. Expenditures should be tracked using program code 367.

3680 **K-12 Education Data Systems** – 2007 Legislative Session HB 2. State reimbursement for costs associated with the development of information management systems and the reporting of information to OPI. To be used at the discretion of the trustees. The funds will be deposited into the Miscellaneous Programs Fund (15). Use expenditure program code 368.

3900 **State Career and Technical Education (CTE) Payment.** See Section 20-7-306, MCA

DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS (cont'd

Code **Definition**

Revenue from Federal Sources.

4100 **Miscellaneous Direct Federal Grants**. Revenues received directly from the federal government as grants which can be used for any legal purpose desired without restriction.

- Follow Through 84.014
- Goals 2000 84.276A

Restricted Grants-in-Aid Received Directly from the Federal Agencies or Indian Tribes. Revenues received directly from the federal government as grants which must be used for a categorical or specific purpose. If such money is not completely used, it usually is returned to the governmental unit.

4110 **Head Start**
4120 **Title VI, Part B, Subpart 1, Small Rural Schools (SRS)** 84.358A
4130 **Title VII, Indian Education**
4140 **Johnson O'Malley Indian Education (JOM)** 15.130

Restricted Grants-in-Aid Received From the Federal Government Through the Office of Public Instruction. Revenues received on a recurring basis from the federal government through the Office of Public Instruction as grants which must be used for a categorical or specific purpose.

4200 **Title I, Part A, Improving Basic Programs**
84.010
4210 **Title I, Part A, Accountability**
84.348A
4220 **Title I, Part A, Improvement Grants**
84.010A
4230 **Title I, Part B, Subpart 1, Reading First**
84.357
4240 **Title I, Part B, Subpart 3, Even Start**
84.213
4250 **Title I, Part C, Migrant Education**
84.011
4260 **Title I, Part C, Migrant Incentive**
84.011
4270 **Title I, Part D, Neglected, Delinquent & At-Risk Youth** 84.013A
4280 **Title I, Part F, Comprehensive School Reform** 84.010B
4290 **Title I, Part G, Advanced Placement**
84.330C
4300 **Title II, Part A, Teacher and Principal Training & Recruiting Fund**
84.367

3-0500.40

4310 **Title II, Part D, Educational Technology**
84.318

4320 **Title III, Part A, English Language Acquisition and Language Enhancement**
84.365

Code	Definition

4330 **Title IV, Part A, Safe & Drug-Free Schools & Communities**
84.186A

4340 **Title IV, Part B, 21st Century Community Learning Centers**
84.287

4350 **Title V, Part A, Innovative Programs**
84.298

4360 **Title V, Part D, Subpart 3, Character Education**
84.215V

4370 **Title VI, Part B, Subpart 2, Rural Low-Income Schools (RLI)**
84.358

4380 **Title X, Part C, Education of Homeless Children & Youth**
84.196

4390 **Title I, Part G, School Improvement**
84.377

4510 **Carl Perkins (Federal Vo-Ed) - Basic Grant**
84.048A

4520 **Carl Perkins (Federal Vo-Ed) – Competitive**

4530 **Adult Basic Education TANF**
93.558

4540 **Adult Basic and Literacy Education (ABLE)**
84.002

4550 **Federal School Food Reimbursement**
10.553 School Foods Breakfast
10.555 School Foods Lunch
10.555 School Foods Snacks
10.556 School Foods Milk Program
10.564 School Foods Nutrition Education and Training

4552 **Fresh Fruit and Vegetable Program**
10.582

4555 **School Foods Summer Program**
10.559

4556 **Adult/Child Care Program**
10.558

4560 **IDEA, Part B, Children with Disabilities**
84.027

4570 **IDEA Preschool**
84.173

4580 **IDEA State Program Improvement**
84.323

4650 **Miscellaneous Federal Grants from OPI**
94.004 Learn & Serve
84.338 Reading Excellence
84.352 School Renovation, IDEA and Technology

DEFINITIONS OF OPERATING STATEMENT REVENUE ACCOUNTS (cont'd)

Code **Definition**

Restricted Grants-in-Aid Received From the Federal Government Through State Agencies Other than the Office of Public Instruction. Revenues received from the federal government through state agencies other than the Office of Public Instruction as grants that must be used for a categorical or specific purpose.

4700 **Miscellaneous Federal Grants Passed Through State Agencies Other Than OPI**

4710 **GEAR UP**
84.334 (MT Commissioner of Higher Ed) 4720
Carl Perkins (Federal Vo-Ed) - Tech Prep
84.243A
4730 **Public Health Emergency Preparedness**
93.069

Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by the federal government unit to the school district in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the school district on the same basis as privately owned property or other tax base. It would include payment made for privately owned property which is not subject to taxation on the same basis as other privately owned property due to action by the federal governmental unit.

4800 **Federal Revenue in Lieu of Taxes**

4820 **Federal Impact Aid - Title VIII** (was P.L. 81-874)
84.041
4821 **Federal Impact Aid Discretionary Construction**

Federal Other Revenue on Behalf of District.
4930 **Federal Indirect Cost Recoveries/Aggregate of Reimbursements** Section 20-9-507, MCA. See expenditure object 940.

Other Restricted Grants-in-Aid Received From the Federal Government Through the Office of Public Instruction. Revenues received on a recurring basis from the federal government through the Office of Public Instruction as grants which must be used for a categorical or specific purpose.

3-0500.40

4940 **Title I ESEA Schoolwide Program**. Activities pertaining to the use of funds from Title I, Part A and other Federal education program fund and resources with local and state resources to upgrade the entire education program of the school in order to raise academic achievement for all the students.

Code **Definition**

Other Financing Sources.

5110 **Sale of Bonds.** Proceeds from the sale of bonds other than refunding bonds are deposited to the Building Fund (60). Premium on bonds sold is that portion of the sale price of bonds in excess of their par value. The premium represents an adjustment of the interest rate. In the absence of legal authority to include bond premium with the bond proceeds, premium on bonds sold should be credited to the Debt Service Fund (50) and recorded as 1900 Miscellaneous Revenue. Accrued interest paid by the bondholder at the time the bonds are sold should be deposited to the Debt Service Fund (50) and recorded using balance sheet account 656 Accrued Interest Payable. This interest should be returned to the bondholder when the first interest payment is made. See sections 20-9-401, 20-9-435, MCA.

5120 **Proceeds from Refunding Bonds.** Proceeds from refunding bonds are deposited to the Debt Service Fund (50). See sections 20-9-401, 20-9-412, 20-9-435, MCA.

5200 **Sale or Compensation for Loss of Assets**. Revenues from sale of school property or revenues from individuals or insurance companies for the loss of school property. See section 20-6-608. MCA 20-6-604, provides that proceeds from the sale of district property may be deposited the General (01), Building (60), Debt Service (50), or other appropriate fund (i.e. sale of a bus may be deposited to the transportation fund) at the discretion of the trustees. Losses on the sale of fixed assets held by proprietary funds should also be recorded here.

5300 **Operating Transfers from Other Funds**. Used to record the receipt of the operating transfer from the General Fund (01) to the Compensated Absences Fund (21), or from the General Fund (01) to the Litigation Reserve Fund (27) also use this account for transfers to the Debt Service Fund (50) from the Impact Aid Fund (26). Transfers made within the prime agency of a multidistrict cooperative would be coded here. (Residual equity transfers to close old funds are recorded using revenue account 9710.) Transfers to correct current period errors in recording revenues or expenditures are known as reimbursements and should be recorded using appropriate accounts affected by the error. See Topic 5-0500. Other transfers are not authorized by law. ("208" Transfers should be recorded using revenue source 9710. See Section 20-9-208, MCA.) Use source 5300 in conjunction with expenditure XXX-999-6100-910 to record transfers between the Compensated Absences Liability Fund (21) or the Litigation Reserve Fund (27) and the General Fund (01) also used for transfers within the prime agency of a multidistrict cooperative.

5400 **Proceeds from Long-Term Liabilities.** Proceeds from long-term notes made with the Board of Investments as provided by Section 20-9-471, MCA or long-term notes sold in anticipation of federal or state revenue as provided in Section 7-7-109, MCA. Proceeds from capital leases should be recorded using balance sheet account 490 Non-Budgeted

Code **Definition**

Revenues - GAAP Purposes. Proceeds from short-term notes made with the Board of Investments are recorded using balance sheet account 650 Notes or Loans Payable - Current and are not recorded as revenue or as other financing sources.

5500 **Reserved.**
5600 **Reserved.**

When preparing GAAP financial statements, accounts 5700 and 5710 may be classified to local, state or federal revenues, as appropriate. OPI uses these accounts from the Trustees' Report to eliminate duplicate reporting of revenue on a statewide basis.

5700 **Resources Transferred from Other School Districts or Cooperatives.** Used to record lump sum payments (other than for local/state special education) received from another school district or cooperative. Examples of such transfers are lump sum contributions to a host district for a prorated share of a particular program budget. This also includes payments between school districts and cooperatives for grants, including payments relating to each participant's share of IDEA Part B federal funds. The receiving district must identify the original source of money on the records using project reporters. See expenditure definitions for function 6200 and object codes 920 and 930.

General Fund Revenue from special education allowable cost services provided other school districts or cooperatives (other than for tuition and transportation services) should be recorded using revenue source 5710. See 20-7-431, MCA. Also see 5710 Special Education Resources Transferred from other School Districts or Cooperatives. Payments from other school districts or cooperatives for specific services provided beyond the interlocal agreement should be coded to 1950 Services Provided to Other School Districts or Cooperatives. Use revenue source 1950 if a payment is for specific services.

5710 **Special Education Resources Transferred from Other School Districts or Cooperatives.** Used to record lump sum payments received from another school district or cooperative for the provision of special education services. This revenue code is reserved exclusively for state, district and cooperative transfers from the general fund for the provision of special education services that are allowable under 20-7-431, MCA. Examples of such transfers include lump sum contributions to a (1) cooperative for the match of the related services block grant; and (2) district for a prorated share of the allowable cost of a special education program. When used in fund 15 for resource transfers allowed under ARM 10.16.3815, the expenditures coded with the same project reporter are counted towards maintenance or effort for the IDEA grant.

This revenue source should not be used with the same project reporter as tuition in Fund 15. Since unused 5710 funds need to be returned to the sending district and unused tuition should be receipted (transferred) to the General Fund, these two revenue sources should not be used with same project reporter.

Code **Definition**

See expenditure definitions for program 280, function 6200, and object codes 920 and 930. See 20-7-431, MCA. Also see 5700 Resources Transferred from other School Districts or Cooperatives. Payments from other school districts or cooperatives for specific services provided beyond the interlocal agreement should be coded to 1950 Services Provided to Other School Districts or Cooperatives. Use revenue source 1950 if a payment is for specific services.

0500.40

Adjustments to Beginning Fund Balance.

6100 **Material Prior Period Revenue Adjustments.** This account is used to account for unanticipated material adjustments related to a prior period which would distort current year revenues if credited to the current year accounts. Examples would be material canceled warrants, large distribution errors relating to property taxes, state or county equalization adjustments, etc. This account is used for special reporting purposes to show prior period adjustments as adjustments to beginning fund balance on the operating statement. See Topic 5-0280.

9710 **Residual Equity Transfers In.** This account is used to record nonrecurring or nonroutine transfers of equity between funds, including residual balances of discontinued funds which are transferred to the general fund and transfers allowed under 20-9-208, MCA. See expenditure program code 999, function 9999, and object 971 for recording residual equity transfers out. Total residual equity transfers in (source 9710) for all funds must equal total residual equity transfers out (XXX-999-9999-971) for all funds.

CHART OF ACCOUNTS

3-0600.00 EXPENDITURE AND OTHER FINANCING USES

3-0600.10 EXPENDITURE AND OTHER FINANCING USES ACCOUNT STRUCTURE

Expenditure and other financing uses accounts have a normal debit balance and are used to describe all of the financial resources used during a fiscal year.

These accounts are nominal accounts and always begin each fiscal year with a zero balance. During the fiscal year, school districts have the option of recording the total debits and credits in these accounts on a monthly basis to the 802 Expenditure and Other Financing Uses Control account. When the 802 control account is used, the total of all subsidiary expenditure and other financing uses account balances must equal the balance in the 802 control account. This is usually checked on a monthly basis.

At the end of the fiscal period, the subsidiary expenditure and other financing uses accounts **or** the 802 Expenditure and Other Financing Uses Control account are transferred ("closed out") to 970 Unreserved Fund Balance. Expenditure and other financing uses accounts appear in the operating statement prepared at the close of the fiscal year.

The account structure for expenditure and other uses accounts includes the following dimensions:

X X X	X X	X X X	X X X X	X X X	X X X
Fund	Oper Unit (Optional)	Program	Function	Object	Project Reporter

Fund - The fund numbers are described in detail in Section 3-0200.10 of this manual.

Operational Unit Dimension - The operational unit has several common uses for school districts: (1) to identify attendance centers, (2) as a budgetary unit designator, and (3) as a means of segregating costs by building structure. **Title I requires grant expenditures be tracked by building.**

This code is designed to be used primarily at the discretion of the individual school district. Some districts may desire to account for costs by physical structure (building). An example of this is shown below.

01 Central Administration Building
11 Anderson Elementary
12 Ryan Elementary
13 Bryant Elementary
14 Central Elementary
15 Hawthorne Elementary
16 Jefferson Elementary
21 Washington Junior High
22 Lincoln Junior High
31 Central High School

32 East High School

3-0600.10 EXPENDITURE AND OTHER FINANCING USES ACCOUNT STRUCTURE (cont'd)

Program Dimension - A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. This dimension provides the school district the framework to classify expenditures by program for cost determination purposes. Programs are classified in the following broad categories:

100 Regular Programs
200 Special Programs
300 State Grants
400 Federal Grants
500 Non-Public School Programs
600 Adult Education Programs
700 Extracurricular Programs & American Recovery & Reinvestment Act (ARRA).
ARRA coding is provided at the following link -
http://www.opi.mt.gov/pdf/schoolfinance/ARRA/Guidance_ARRA.pdf
800 Community Services Programs
900 Enterprise Programs

Function Dimension - The function dimension describes the type of activity within a fund and program. It includes the area subfunctions, activities, and subactivities performed to accomplish general objectives. Expenditures are classified by function to provide comparability between communities and states and to assist in decision making. Functions are classified in the following broad categories:

Current Expenditures / Functions 1000 – 3000

1000 Instruction
2100 Support Services - Students
2200 Support Services - Instructional Staff
2300 Support Services - General Administration
2400 Support Services - School Administration
2500 Support Services - Business Services
2600 Support Services - Operations and Maintenance of Plant
2700 Support Services - Student Transportation
2800 Support Services - Central
3100 Non-Educational Services - Food Services
3200 Non-Educational Services - Other Enterprise Services
3300 Non-Educational Services - Community Services
3400 Non-Educational Services - Extracurricular Activities
3500 Non-Educational Services - Extracurricular Athletics

Facilities Acquisitions, Debt Service, and Other Financing Uses / Functions 4000 - 6000

4000 Facilities Acquisitions
5000 Debt Service
6000 Other Financing Uses

3-0600.10 EXPENDITURE AND OTHER FINANCING USES ACCOUNT STRUCTURE (cont'd)

Object Code Dimension - The object code refers to the good or service obtained. Objects are classified in the following broad categories:

Current Expenditures:
100 Personal Services—Salaries
200 Personal Services—Employee Benefits
300 Purchased Professional and Technical Services
400 Purchased Property Services
500 Other Purchased Services
600 Supplies and Materials
700 Property and Equipment Acquisition
800 Other Expenditures

Adjustments to Beginning Fund Balance:
892 Material Prior Period Expenditure Adjustments

Other Uses of Funds:
900 Other Uses of Funds

3-0600.20 PROJECT REPORTER CODES
See Topic 3-0500.30

3-0600.30

EXPENDITURE PROGRAM DEFINITIONS

Program Dimension - A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. Nine broad program areas are identified in this manual: regular education, special programs, vocational education, other instructional, non-public school, adult/continuing education, extracurricular activities, community services, and enterprises programs. Federal and state grants are also included within the various broad program areas.

Code **Expenditure Program Definition**

100 Regular Education Programs - Elementary/Secondary. Activities designed to provide grades K-12 students with learning experiences to prepare students for activities as citizens, family members, and non-vocational workers as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps.

Use 100, or use Optional Programs:

110 Kindergarten
120 Elementary
130 Middle School
140 Junior High (Grades 7-9)
150 Secondary
160 District-wide
170 Distance Learning
180 Summer School

Special Programs - Activities designed primarily to deal with pupils having special needs. Special Programs include pre-kindergarten, elementary, and secondary services for the mentally retarded, physically disabled, emotionally disturbed, learning disabled, and special programs for other types of students.

201-209 **Reserved**

210 **Non-Federal Alternative Education**

211-259 **Reserved**

260 **Non-Grant Bilingual Education**

261-270 **Reserved**

271 **State and Federal Aggregate of Reimbursements/Indirect Costs** - Section 20-9-507, MCA

3-0600.30

274 **State Audiology Contracted Services.**

280 **Special Education - Local and State.** Services to students which meet the Federal IDEA definition of special education. (Services to 504 students who do not meet the federal IDEA definition should be coded to expenditure program 1XX.)

EXPENDITURE PROGRAM DEFINITIONS (cont'd)

Code	Expenditure Program Definition

State Grants

300-324 **Reserved**

325 **Montana Digital Academy**

327 **State Advancing Agriculture Education**

329 **State - Other State Grants.** Grants from OPI and various state agencies which are usually accounted for in the Miscellaneous Programs fund. Coincides with programs with revenue coded 3290 Miscellaneous State Grants.

Examples: Jobs for Graduates (JMG)

360 **Gifted and Talented**
361 **Services for Significant Needs Students**
362 **State Adult Education Reimbursement**

363 **State One Time Only Energy Cost Relief and Transportation**
364 **State One Time Only Weatherization and Deferred Maintenance**
365 **State One Time Only Indian Education for All**
366 **State One Time Only Capital Investment and Deferred Maintenance**
367 **State One Time Only Full-Time Kindergarten Start-up Cost**

368 **K-12 Education Data Systems**

390 **State Career and Technical Education (CTE) Entitlement** (Use 390, or optional programs)
391 **Agriculture**
392 **Business**
393 **Health Occupations**
394 **Home Economics**
395 **Technology Education/Industrial Arts**
397 **Trades and Industrial**

EXPENDITURE PROGRAM DEFINITIONS (cont'd)

Code **Expenditure Program Definition**

Federal Grants - See the State and Federal Handbook or Section 3-0500.40 for CFDA Numbers

Restricted Grants-in-Aid Received Directly from the Federal Agencies or Indian Tribes - Funds received directly from the federal government as grants which must be used for a categorical or specific purpose. If such money is not completely used, it usually is returned to the governmental unit.

410 **Miscellaneous Direct Federal Grants** (This program may be used many times with a different project reporter code.)
411 **Head Start**
412 **Title VI, Part B, Subpart 1, Small Rural Schools (SRS)**
413 **Title VII Indian Education**
414 **Johnson O'Malley Indian Education (JOM)**

Restricted Grants-in-Aid Received From the Federal Government Through the Office of Public Instruction - Funds received on a recurring basis from the federal government through the Office of Public Instruction as grants which must be used for a categorical or specific purpose.

420 **Title I, Part A, Improving Basic Programs**
421 **Title I, Part A, Accountability**
422 **Title I, Part A, Improvement Grants**
423 **Title I, Part B, Subpart 1, Reading First**
424 **Title I, Part B, Subpart 3, Even Start**
425 **Title I, Part C, Migrant Education**
426 **Title I, Part C, Migrant Incentive**
427 **Title I, Part D, Neglected, Delinquent & At-Risk Youth**
428 **Title I, Part F, Comprehensive School Reform**
429 **Title I, Part G, Advanced Placement**

3-0600.30

430 **Title II, Part A, Teacher & Principal Training and Recruiting**
431 **Title II, Part D, Educational Technology**
432 **Title III, Part A, English Language Acquisition and Language Enhancement**
433 **Title IV, Part A, Safe & Drug Free Schools & Communities**
434 **Title IV, Part B, 21st Century Community Learning Centers**
435 **Title V, Part A, Innovative Programs**
436 **Title V, Part D, Subpart 3, Character Education**
437 **Title VI, Part B, Subpart 2, Rural Low-Income Schools (RLI)**
438 **Title X, Part C, Education of Homeless Children & Youth**
439 **Title I, Part G, School Improvement**
440-450 **Reserved**
451 **Carl Perkins (Federal Career and Technical Education (CTE))** – Basic Grant 452 **Carl Perkins (Federal Career and Technical Education (CTE))** – Competitive
453 **Adult Basic Education TANF**
454 **Adult Basic and Literacy Education (ABLE)**
455 **School Food Mini Grants**

3-0600.30 EXPENDITURE PROGRAM DEFINITIONS (cont'd)

Code **Expenditure Program Definition**

456 **IDEA, Part B, Children with Disabilities**
457 **IDEA, Preschool**
458 **IDEA, State Program Improvement**
459 **IDEA, Early Intervening Services**
460 **Fresh Fruit and Vegetable Program**
461-464 **Reserved**
465 **Miscellaneous Federal Grants Passed through OPI** (This program may be used many times with a different project reporter code.)

Examples: Learn and Serve
Reading Excellence
School Renovation and Technology

Restricted Grants-in-Aid Received From the Federal Government Through State Agencies Other than the Office of Public Instruction - Funds received from the federal government through state agencies other than the Office of Public Instruction as grants that must be used for a categorical or specific purpose.

470 **Miscellaneous Federal Grants Passed Through State Agencies Other Than OPI** (This program may be used many times with a different project reporter code.) 471 **GEAR UP** (MT Commissioner of Higher Education)
472 **Carl Perkins (Federal Career and Technical Education (CTE))** – Tech Prep
473 **Public Health Emergency Preparedness**
482 **Title VIII Impact Aid 8007(b) construction** 494
Title I ESEA Schoolwide Program

500 Non-Public School Programs. Activities for students attending a school established by an agency other than the state, a subdivision of the state, or the federal government, which usually is supported primarily by other than public funds. The services consist of such activities as those involved in providing instructional services, attendance and social work services, health services, and transportation services for non-public school students.

600 Adult Continuing Education Programs and Adult Basic Education Programs.

610 **Adult Continuing Education Programs.** Activities designed to develop knowledge and skills to meet immediate and long-range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning; prepare students for a postsecondary career; prepare students for postsecondary education programs; upgrade occupational competence, prepare students for a new or different career; develop skills and appreciations for special interests; or to enrich the aesthetic qualities of life. **Adult basic education programs are not included in this category**.

650 **GED Programs**

657 **Federal Job Training and Partnership Act (JTPA) Grant**

3-0600.30 EXPENDITURE PROGRAM DEFINITIONS (cont'd)

Code **Expenditure Program Definition**

Extracurricular Activities and Athletics - Activities outside of the instructional program for which students do not receive educational credits.

710 **School Sponsored Extracurricular Activities.** School sponsored activities, under the guidance and supervision of school district staff, designed to provide such experiences as motivation, enjoyment, and improvement of skills. Extracurricular activities normally supplement the regular instructional program and include such activities as band, chorus, choir, speech and debate. Also included are student financed and managed activities, such as: Class of 20XX, Chess Club, Senior Prom, and Future Farmers of America. Athletics are coded into Program 720. Used with function 3400.

720 **School Sponsored Athletics.** School sponsored athletics under the guidance and supervision of school district staff, designed to provide opportunities to pupils to pursue various aspects of physical education. Used with function 3500.

750–781 **American Recovery & Reinvestment Act (ARRA). ARRA coding is provided at the following link** - http://www.opi.mt.gov/pdf/schoolfinance/ARRA/Guidance_ARRA.pdf

Community Services Programs - Activities which are not directly related to the provision of education services in a school district. These include services such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities provided by the school district for the community as a whole or some segment of the community.

810 **Community Recreation.** Activities concerned with providing recreation for the community as a whole, or for some segment of the community. Included are such staff activities as organizing and supervising playgrounds, swimming pools, and other recreation programs for the community.

820 **Civic Services.** Activities concerned with providing services to civic affairs or organizations. This program area includes services to parent-teacher association meetings, public forums, lectures, and civil defense planning.

830 **Public Library Services.** Activities pertaining to the operation of public libraries by a school district, or the provision of library services to the general public through the school library. Included are such activities as budgeting, planning and augmenting the library's collection in relation to the community, and informing the community of public library resources and services.

840 **Custody and Child Care Services.** Activities pertaining to the provision of programs for the custodial care of children in residential day schools, or child-care centers which are not part of, or directly related to the instructional program, and where the attendance of the children is not included in the attendance figures for the school district.

3-0600.30 EXPENDITURE PROGRAM DEFINITIONS (cont'd)

Code **Expenditure Program Definition**

850 **Welfare Activities.** Activities pertaining to the provision of personal needs of individuals who have been designated as needy by an appropriate governmental entity. These needs include stipends for school attendance, salaries paid to students for work performed whether for the school district or for an outside concern, and for clothing, food, or other personal needs.

860 **Community Drug Free Programs**. Activities pertaining to community and local school districts drug free programs.

890 **Other Community Services.** Activities provided the community which cannot be classified under any of the other Program 800 codes.

Enterprise Programs - Programs which are intended to be self-supporting. The activity for this program category would usually be used with Proprietary Funds.

910 **Food Services.** Activities concerned with providing food service to students and staff. Used with function 3100 Food Services.

920 **Enterprise or Internal Service Programs.** Activities concerned with enterprise operations or internal service fund activities such as data processing, purchasing, central transportation, etc. These activities are operated on a commercial basis with little or no financial support from federal or state sources. Food service activities should be charged to program 910.

999 **Undistributed --** Use for:

Residual Equity Transfers Out (XXX-**999**-9999-971)

For closing obsolete funds to the general fund, transferring bus depreciation fund moneys to another fund on a vote of the people, or transferring an excess balance from the lease rental fund or compensated absences fund back into the general fund. Use revenue source 9710 in the receiving fund.

Operating Transfers to Other Funds (X01-**999**-61XX-910)

Use for the general fund transfer to the litigation reserve fund or compensated absences fund. Use revenue source 5300 in the receiving fund.

Material Prior Period Expenditure Adjustments (XXX-**999**-9999-892)
NEVER NEGATIVE.

Undistributed Benefits (X14-**999**-9999-2XX) for retirement fund benefits, X01999-9999-2XX for general fund workers' comp. benefits.)

CHART OF ACCOUNTS

3-0600.40

EXPENDITURE FUNCTION DEFINITIONS

Function Dimension - The function dimension describes the type of activity within fund and program using a four digit code. The first two digits of the function code designate one of the following six broad areas: Instruction, Support Services, Operation of Non-Educational Services, Facilities Acquisition and Construction Services, Debt Service, and Other Financing Uses. The next two digits provide two additional levels of detail descriptions for a specific function. In order to avoid numerous accounts, it is recommended that third and fourth level detail be used only when necessary. Following are definitions of the functions and subfunctions.

Code **Expenditure Function Definition**

1000 Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom or in another location such as a home or hospital. It may also be provided through some other approved medium such as television, radio, telephone, and correspondence. Included here are the activities of aides or assistants of any type (clerks, graders, teaching machines, etc.) which assist in the instructional process. Expenditures for assemblies and activities such as the Missoula Children's' Theater should also be included here. If proration of expenditures is not possible for department chairpersons who also teach, include these expenditures in instruction. Full-time special education directors and department chairpersons should be recorded only in function 2490. This function should only be used only with Programs 100-700.

1110 Agriculture
1140 Arts
1170 Business

1210 Marketing (Distributive) Education
1240 English Language
1270 Foreign Language

1310 Health Occupations
1340 Physical Education
1370 Consumer Homemaking Education

1410 Principles of Technology/Industrial Arts
1440 Mathematics
1450 Computer Science
1470 Music

1510 Natural Science
1540 Office Occupations
1570 Social Sciences

1610 Public Service
1640 Vocational Trades
1660 Preschool

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code

1670 General Elementary Education

1710 Occupational Home Economics
1740 Military Science
1770 Driver Education
1800 Distance Learning

Expenditure Function Definition

Support Services - Support services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Support Services exist as adjuncts for the fulfillment of the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

2100 Support Services—Students. Activities designed to assess and improve the wellbeing of students and to supplement the teaching process. This function includes aides for day care, playground, study hall, student escorts, and crosswalk guards. Bus aides required by the Individualized Education Plan, (IEP) for special education students should be recorded here. Includes student insurance except for athletics which should be recorded using function 3400 or 3500.

2110 **Attendance and Social Work Services.** Activities which have as their purpose the improvement of the attendance of students at school and which attempt to prevent or solve the problems of students which involve the home, the school, and the community. Activities of the registration function for adult education programs are included here.

2111 **Supervision of Attendance and Social Work Services.** The activities associated with directing, managing and supervising attendance and social work.

2112 **Attendance Services.** Activities such as prompt identification of patterns of nonattendance, promotion of improved attitudes toward attendance, analysis of causes of non-attendance, early action on problems of non-attendance, and enforcement of compulsory attendance laws. Include recruiters here.

2113 **Social Work Services.** Activities such as investigating and diagnosing student problems arising out of the home, school, or community; casework and group work services for the child, parent, or both; interpreting the problems of students for other staff members; and promoting modification of the circumstances surrounding the individual student which are related to his/her problem insofar as the resources of the family, school, and community can be brought to bear effectively upon the problem.

2114 **Student Accounting Services.** Activities of acquiring and maintaining records of school attendance, location of home, family characteristics, and census data. Portions of these records become a part of the cumulative record which is sorted

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code

and stored for teacher and guidance information. Pertinent statistical reports are prepared under this function as well.

2115 **Parental Involvement Services.** Used for "Title" grants ONLY. Activities to involve parents as classroom volunteers, aides and tutors. Includes activities after school such as parental involvement meetings and training programs to address problems between home and school.

Expenditure Function Definition

2120 **Guidance Services.** Activities involving counseling with students and parents, providing consultation with other staff members on learning problems, evaluating the abilities of students, assisting students as they make their own educational and career plans and choices, assisting students in personal and social development, providing referral assistance, and working with other staff members in planning and conducting guidance programs for students.

2121 **Supervision of Guidance Services.** Activities associated with directing, managing and supervising guidance services.

2122 **Counseling Services.** Activities concerned with the relationship between one or more counselor(s) and one or more student(s) as counselee(s), students and students, and counselors and other staff members, all for the purpose of assisting the student to understand his/her educational, personal, and occupational strengths and limitations; relate his/her abilities, emotions and aptitudes to educational and career opportunities; utilize his/her abilities in formulating realistic plans: and achieve satisfying personal and social development.

2123 **Testing Services.** Activities having as their purpose an assessment of student characteristics, which are used in administration, instruction, and guidance, and which assist the student in assessing his/her purposes and progress in career development and personality development. Test records and materials used for student appraisal are usually included in each student's cumulative record.

2124 **Information Services.** Activities organized for the dissemination of educational, occupational, and personal social information to help acquaint students with the curriculum and with educational and vocational opportunities and requirements. Such information might be provided directly to students through activities such as group or individual guidance, or it might be provided indirectly to students, through staff members or parents.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code

2125 **Record Maintenance Services.** Activities organized for the compilation, maintenance, and interpretation of cumulative records of individual student, including systematic consideration of factors such as the following: Home and family background; physical and medical status; standardized test results; personal and social development; and school performance.

2126 **Placement Services.** Activities organized to help place students in appropriate educational situations while they are in school, in appropriate part-time employment while they are in school, and in appropriate educational and in occupational situations after they leave school. These activities also help facilitate the student's transition from one educational experience to another. This may include, for example, admissions counseling, referral services, assistance with records, and follow-up communications with employers.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition

2130 **Health Services.** Physical and mental health services which are not direct instruction. Included are activities that provide students with appropriate medical, dental and nurse services.

2131 **Medical Services.** Activities concerned with the physical and mental health of students, such as health appraisal, including screening for vision, communicable diseases, and hearing deficiencies; screening for psychiatric services; periodic health examinations; emergency injury and illness care; and communications with parents and medical officials.

2132 **Dental Services.** Activities associated with dental screening, dental care, and orthodontic activities.

2134 **Nursing Services.** Activities associated with nursing such as health inspection, treatment of minor injuries, and referrals for other health services.

2140 **Psychological Services.** Activities concerned with administering psychological tests and interpreting the results, gathering and interpreting information about student behavior, working with other staff members in planning school programs to meet the special needs of students as indicated by psychological tests, and behavioral evaluation and managing a program of psychological services, including psychological counseling for students, staff, and parents.

2141 **Supervision of Psychological Services.** Directing, managing and supervising the activities associated with psychological services.

2142 **Psychological Testing Services.** Activities concerned with administering psychological tests, standardized tests, and inventory assessments of ability, aptitude, achievement, interests and personality and their interpretation for students, school personnel, and parents.

2143 **Psychological Counseling Services.** Activities that take place between a school psychologist or other qualified person as counselor and one or more students as counselees in which the students are helped to perceive, clarify, solve, and resolve problems of adjustment and interpersonal relationships.

2144 **Psychotherapy Services.** Activities that provide a therapeutic relationship between a qualified mental health professional and one or more students, in which the students are helped to perceive, clarify, solve and resolve emotional problems or disorders.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition

2150 **Speech Pathology and Audiology Services.** Activities which have as their purpose the identification, assessment, and treatment of children with impairments in speech, hearing, and language.

2151 **Supervision of Speech Pathology and Audiology Services.** Activities associated with directing, managing and supervising speech pathology and audiology services.

2152 **Speech Pathology Services.** Activities organized for the identification of children with speech and language disorders; diagnosis and appraisal of specific speech and language disorders; referral for medical or other professional attention necessary to the habilitation of speech and language disorders; provision of required speech habilitation services; and counseling and guidance of children, parents, and teachers, as appropriate.

2153 **Audiology Services.** Activities organized for the identification of children with hearing loss; determination of the range, nature, and degree of hearing function; referral for medical or other professional attention as appropriate to the habilitation of hearing; language habilitation; auditory training, speech reading (lip-reading), and speech conversation as necessary; creation and administration of programs or hearing conservation; and counseling and guidance of children, parents, and teachers as appropriate.

2160 **Occupational and Physical Therapy Services.** Activities which have as their purpose the identification, assessment, and treatment of children with physical disabilities.

2190 **Other Student Support Services.** Other support services to students not classified elsewhere in the 2100 series.

2200 Support Services—Instructional Staff. Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students. **Do not use 2200, but use 2210 or 2220 instead.**

2210 **Improvement of Instruction Services.** Activities which are designed primarily for assisting instructional staff in planning, developing, and evaluating the process of providing challenging learning experiences for students. These activities include curriculum development, techniques of instruction, child development and understanding, staff training, etc.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition
2211	**Supervision of Improvement of Instruction Services.** Activities associated with directing, managing and supervising the improvement of instruction services.
2212	**Instruction and Curriculum Development Services.** Activities designed to aid teachers in developing the curriculum, preparing and utilizing special curriculum materials, and understanding and appreciating the various techniques which stimulate and motivate students.
2213	**Instructional Staff Development Services.** Activities designed to contribute to the professional or occupational growth and competence of members of the instructional staff during the time of their service to the school system or school. Among these activities are workshops, demonstrations, school visits, courses for college credit, sabbatical leaves, and travel leaves. Used with object 582.
2219	**Other Improvements of Instructional Services.**
2220	**Educational Media Services.** Activities concerned with the use of all teaching and learning resources, including hardware, and content materials excluding Library Services. For Library Services, use Function 2225. Educational media are defined as any devices, content materials, methods, or experiences used for teaching and learning purposes. These include printed and non-printed sensory materials.
2221	**Supervision of Educational Media Services.** Activities concerned with directing, managing and supervising educational media services.
2222	**Audiovisual Services.** Activities such as selecting, preparing, caring for, and making available to members of the instructional staff the equipment, videos, transparencies, tapes, TV programs, and other similar materials, whether maintained separately or as part of an instructional materials center. Included are activities in the audiovisual center, TV studio, and related work-study areas, and the services provided by audiovisual personnel. Used with objects 440 or 615.
2223	**Educational Television Services.** Activities concerned with planning, programming, writing, and presenting educational programs or segments of programs by way of closed circuit or broadcast television. Instruction by way of closed circuit or broadcast television should be coded to function 1000 or 1800.
2224	**Computer-Assisted Instruction Services.** Activities concerned with planning, programming, writing, and presenting educational projects which have been

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

especially programmed for a computer to be used as the principal medium of instruction. Instruction by way of electronic medium should be coded using function 1000 or 1800.

2225 **School Library Services.** Activities such as selecting, acquiring, preparing, cataloging, and circulating books and other printed materials; planning the use of the library by students, teachers and other members of the instructional staff; and guiding individuals in their use of library books and materials, whether maintained separately or as a part of an instructional materials center. Included here are the activities for planning the use of the library by students and instructing students in their use of library books and materials, whether maintained separately or as a part of an instructional materials center or related work-study area. Textbooks generally will not be charged to this function but rather to the applicable service area within the instruction function.

2300 Support Services—General Administration. Activities concerned with establishing policy by the board of trustees and administering policy by the superintendent in connection with operating the school district. The chief business official should not be included here, but in function 2500, Support Services - Business.

2310 **Board of Trustees Services.** The activities of the elected body which has been created according to state law and vested with responsibilities for educational activities in a given administrative unit.

2311 **Supervision of Board of Trustees Services.** Those activities concerned with directing and managing the general operation of the Board of Trustees. This includes the activities of the members of the Board of Trustees, but does not include any special activities defined in the other areas of responsibility described below. It also includes any activities of the district performed in support of the school district meeting.

2312 **Board Clerk Services.** Those activities required to perform the duties of the Clerk of the Board of Trustees. If proration of expenditures is not possible for board clerk services, include these expenditures under function 2500 Support Services - Business.

2313 **Legal Services.** Activities required to perform legal services for the Board of Trustees. Includes lump sum settlement or judgment payments paid from the Litigation Reserve Fund, Judgment Fund, or any other fund. If judgments/settlements are specifically identified in legal orders as salaries, benefits, etc., charge the payments to specific functions instead of 2313.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition
2314	**Election Services.** Services rendered in connection with any school system election, including elections of officers and bond elections. Include payments to election judges and assistants here.
2315	**Audit Services.** Services rendered in connection with external audit of school financial records.
2316	**Staff Relations Services.** Activities concerned with staff relations system wide.
2317	**Negotiations Services.** Activities concerned with contractual negotiations with both instructional and non-instructional personnel.
2320	**Executive Administration Services.** Those activities associated with the overall general administration of or executive responsibility for the entire school district.
2321	**Office of the Superintendent Services.** The activities performed by the superintendent and such assistants as deputy, associate, and assistant superintendents in general direction and management of all affairs of the school district. This includes all personnel and materials in the office of the chief executive officer. Activities of the offices of the deputy superintendents should be charged here unless the activities can be placed properly into a service area. If principal services are also provided by the superintendent, expenditures may be prorated to function 2400 based on assigned duties.
2322	**Community Relations Services.** The activities and programs developed and operated system wide for betterment of school/community relations.
2323	**State and Federal Relations Services.** Those activities associated with developing and maintaining good relationships with state and federal officials.
2400	**Support Service—School Administration.** Those activities concerned with overall administrative responsibility for a single school or a group of schools.
2410	**Office of the Principal Services.** Those activities concerned with directing and managing the operation of a particular school. It includes the activities performed by the principal, assistant principals, supervising teacher, and other assistants in general supervision of all operations of the school, evaluation of the staff members of the school, assignment of duties to staff members, supervision and maintenance of the records of the school, and coordination of school instructional activities with

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

instructional activities of the school district. It includes clerical staff for these activities.

2490 **Other Support Services - School Administration.** Other school administration services. This function includes special education directors and full-time department chairpersons and graduation expenses.

2500 Support Services—Business. Activities concerned with paying for, transporting, exchanging, and maintaining goods and services for the school district. Included are the fiscal and internal services necessary for operating the school district. Include the chief business official here. Also include all costs of warrant blanks, purchase order/requisition forms, and other materials and supplies used by the business office. Charge costs of the district superintendent using 2300.

2510 **Fiscal Services.** Those activities concerned with the fiscal operations of the school district. This function includes budgeting, receiving and disbursing, financial and property accounting, payroll, inventory control, internal auditing and funds management.

2511 **Supervision of Fiscal Services.** The activities of directing, managing and supervising the Fiscal Services area. It includes the activities of the assistant superintendent, director, or school business official whose efforts are devoted to directing and managing fiscal activities.

2512 **Budgeting Services.** Those activities concerned with supervising budget planning, formulation, control and analysis.

2513 **Receiving and Disbursing Funds Services.** Those activities concerned with taking in money and paying it out. It includes the current audit or receipts, the pre-audit of requisitions or purchase orders to determine whether the amounts are within the budgetary allowances and to determine that such disbursements are lawful expenditures of the school or a school district, and the management of school funds.

2514 **Payroll Services.** Those activities concerned with making periodic payments to individuals entitled to remuneration for services rendered. Payments are also made for such payroll-associated costs as federal income tax withholding, retirement, and social security.

2515 **Financial Accounting Services.** Those activities concerned with maintaining records of the financial operations and transactions of the school system. It includes such activities as accounting and interpreting financial transactions and account records.

2517 **Property Accounting Services.** Those activities concerned with preparing and maintaining current inventory records of land, buildings, and movable

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

equipment. These records are to be used in equipment control and facilities planning.

2520 **Purchasing Services.** The activities of purchasing supplies, furniture, equipment, and materials used in school or school system operation.

2530 **Warehousing and Distributing Services.** The activities of receiving, storing, and distributing supplies, furniture, equipment, materials, and mail. It includes the pickup and transport of cash from school facilities to the central administration office or bank for control and/or deposit.

2540 **Printing, Publishing, and Duplicating Services.** The activities of printing and publishing administrative publications such as annual reports, school directories, and manuals. It also includes centralized services for publishing school materials and instruments such as school bulletins, newsletters, and notices.

2580 **Administrative Technology Services.** Activities concerned with supporting the school district's information technology systems, including supporting administrative networks, maintaining administrative information systems, and processing data for administrative and managerial purposes. These activities include expenditures for internal technology support, as well as support provided by external vendors using operating funds. These activities include costs associated with the administration and supervision of technology personnel, systems planning and analysis, systems application and development, systems operations, network support services, hardware maintenance and support services, and other technology-related administrative costs. (Used with all programs 100 - 900)

2581 **Technology Service Supervision and Administration.** Activities concerned with directing, managing, and supervising data processing services.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

2582 **Systems Analysis and Planning.** Activities concerned with searching for and evaluating alternatives for achieving defined objectives, based on judgment and, wherever possible, on quantitative methods. Where applicable, these activities pertain to the development of data processing procedures or application to electronic data-processing equipment.

2583 **Systems Application Development.** Activities concerned with the preparation of a logical sequence of operations to be performed, either manually or electronically, in solving problems or processing data. These activities also involve preparing coded instructions and data for such sequences.

2584 **Systems Operations.** Activities concerned with scheduling, maintaining, and producing data. These activities include operating business machines, data preparation devices, and data-processing machines.

2600 Operation and Maintenance of Plant Services. The activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. This includes the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.

2610 **Supervision of Operation and Maintenance of Plant Services.** The activities of directing, managing and supervising the operation and maintenance of school plant facilities.

2620 **Operation of Buildings Services.** Those activities concerned with keeping the physical plant clean and ready for daily use. It includes operating the heating, lighting, and ventilating systems, and repair and replacement of facilities and equipment and minor remodeling. Also included are the costs of building rental and property insurance.

2630 **Care and Upkeep of Grounds Services.** The activities of maintaining the land and its improvements other than buildings. It includes snow removal, landscaping, and grounds maintenance.

2640 **Care and Upkeep of Equipment Services.** The activities of maintaining, in good condition, equipment owned or used by the school district. It includes such activities as servicing and repairing furniture, machines, and movable equipment.

2650 **Vehicle Operation and Maintenance Services (other than student transportation vehicles).** The activities of maintaining general purpose vehicles such as trucks, tractors, graders, and staff vehicles in good condition. It includes such activities as repairing vehicles, replacing vehicle parts, cleaning, painting, greasing, fueling,

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code

and inspecting vehicles for safety, i.e., preventive maintenance. Includes purchasing vehicles for general school use.

2660 **Security Services.** Those activities concerned with maintaining order and safety in school buildings at all times, on the grounds and in the vicinity of schools. Included are police activities for school functions, traffic control on grounds and in the vicinity of schools, and hall monitoring services.

2700 Student Transportation Services. Those activities concerned with the conveyance of students to and from school, as provided by state and federal law. It includes trips between home and school. Also includes student transportation relating to extracurricular activities or athletics.

2710 **Supervision of Student Transportation Services.** Those activities pertaining to directing and managing student transportation services. Charge transportation supervisor's salary here.

2720 **Vehicle Operation Services.** Those activities involved in operating vehicles for student transportation from the time the vehicles leave the point of storage until they return to the point of storage. It includes driving buses or other student transportation vehicles.

2730 **Monitoring Services.** Those activities concerned with supervising students in the process of being transported between home and school and between school and school activities. These activities include supervision while in transit, while being loaded and unloaded, and directing traffic at the loading stations. Bus aides required by IEP should be recorded using function 2100.

2740 **Vehicle Servicing and Maintenance Services.** Those activities involved in maintaining student transportation vehicles in good condition. It includes repairing vehicle parts, replacing vehicle parts, cleaning, painting, fueling, and inspecting vehicles for safety.

2800 **Reserved.**

Operation of Non-Educational Services. Those activities concerned with providing noneducational services to students, staff or the community.

3100 **Food Services.** Those activities concerned with providing food to students and staff in a school or school district. This service area includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food. This function is usually used with Program 910.

3110 **Ala Carte.** Expenditures related to ala carte services.

3120 **Kindergarten Milk.** Costs of the special kindergarten milk program.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition
3130	**Catering.** Expenditures related to the costs of catering.
3140	**Summer Feeding - Operating.** Expenditures for operating a summer feeding program.

Expenditure Function Definition	
3200	**Enterprise Services.** Those activities concerned with enterprise operations such as industrial arts or internal service fund programs such as data processing, purchasing, central transportation, etc. These activities are operated on a commercial basis with little or no financial support from federal or state sources. Food services should be charged to 3100.
3300	**Community Services.** Those activities concerned with providing community services to students, staff or other community participants. Examples of this function would be the operation of a community swimming pool, a recreation program for the elderly, a child care center for working mothers, etc. This function is used only with Program 800.
3400	**Extracurricular - Activities.** School sponsored activities for students that are not part of the regular instructional programs and for which students do not receive educational credit. Use with program 710 only. Expenditures for athletic programs should be recorded using Function 3500. Use program 710 and function 2700 for extracurricular travel.
3500	**Extracurricular - Athletics.** School sponsored athletics that allow student participation in sports programs, normally involving competition between schools. Use with program 720 only. Expenditures for non-athletic activities should be recorded using Function 3400. Use program 720 and function 2700 for extracurricular travel.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code

4000 Facilities Acquisition and Construction Services. Those activities concerned with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites. **All expenditures charged to the 4000 series except for land improvement are to be capitalized.** GAAP allows governments the option of **not** recording "infrastructure" assets such as sidewalks, streets, parking lots, fences, etc. as fixed assets.

4100 **Land Acquisition Services.** Activities concerned with the initial acquisition of sites and the improvements existing thereon.

4200 **Land Improvement Services.** Activities concerned with improving sites and with maintaining existing site improvements.

4300 **Architecture and Engineering Services.** The activities of architects and engineers related to site acquisition and improvement and to improvements to buildings. Charges are made to this function only for those preliminary activities which may or may not result in additions to the school district's property. Otherwise, charge these services to 4100, 4200, 4500 or 4600, as appropriate.

4400 **Educational Specifications Development Services.** Those activities concerned with preparing and interpreting to architects and engineers descriptions of specific space requirements for the various learning experiences of students to be accommodated in a building. These specifications are interpreted to the architects and engineers in the early stages of blueprint development.

4500 **Building Acquisition and Construction Services.** Those activities concerned with building acquisition through purchase or construction.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code	Expenditure Function Definition
4600	**Building Improvements Services.** Those activities concerned with building additions or remodeling and with initial installation or extension of service systems and other built-in equipment.
4900	**Other Facilities.** Acquisition and construction services.

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

Debt Service. Expenditures from governmental funds to retire long-term debt (obligations in excess of one year) of the school district including payments of both principal and interest. Repayment of principal on short-term notes or loans due within one year with the Board of Investments should be recorded using balance sheet account 650, Loans Payable. Interest on these short-term notes or loans should be charged to Function 2500 or 2513, Receiving and Disbursing Funds Services. Repayment of short-term notes or loans should not be recorded as an expenditure, only interest should be recorded as an expenditure. See function 6300 for refunding bonds.

5100 **General Obligation Bonds, Special Assessments, SIDs, and Interest.**

5200 **Capital Leases or Long-Term Notes with the Board of Investments.**

5300 **Interest on Registered Warrants.**

Other Financing Uses. Includes any outlays of the governmental funds that are not properly classified as expenditures, but which require budgetary and accounting control.

6100 **Operating Transfers to Other Funds.** Used to record the operating transfer from the General Fund to the Compensated Absences Fund or from the General Fund to the Litigation Reserve Fund. Used only with program 999 and object 910. See discussion of legally authorized transfers in section 5-0520.30.

Transfers between funds which are quasi-external transactions, reimbursements to correct errors, residual equity transfers, and interfund loans are not recorded here. [Unless state law prohibits, revenues should be allocated or distributed between funds when received and recorded in the funds to which they belong, rather than recording these revenues in the General Fund and later transferring the revenue to other funds.] Interfund loans are not recorded here, but are recorded through the balance sheet accounts 160, Interfund Loans Receivable and 601, Interfund Loans Payable in the funds affected. See Topic 5 for discussion of the five types of interfund transfers.

6200 **Resources Transferred to Other School Districts or Special Education Cooperatives/Indirect Cost Pool.** Used to account for resources recorded as revenue by one district or cooperative but transferred to another for district or cooperative for expenditure. Examples of such transfers are lump sum contributions to a host district for a prorated share of a particular program budget or payments between school districts and

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

special education cooperatives relating to each participant's share of IDEA Part B federal funds. See Topic 5 for discussion of interdistrict transactions. See revenue source 5700 and 5710. Used with object 920 or 930. **Resources transferred from grants to Indirect Cost Pool:** Used to record the transfer of indirect cost recoveries from grants to the indirect cost pool in Miscellaneous Fund 15. Also used to record indirect cost recoveries. See 9.0200.40. Used with objects 920, 930, or 940. Also see Topic 9 for discussion on indirect costs

6300 **Refunding Bonds used to Retire Old Issues.** This account is used to record the fiscal agent activity and payment of bond issuance costs. See revenue 5120 to record the proceeds from refunding bonds.

9999 **Undistributed --** Used for:

Residual Equity Transfers Out (XXX-999-**9999**-971)
For closing obsolete funds to the general fund, transferring bus depreciation fund moneys to another fund on a vote of the people, or transferring an excess balance from the lease rental fund or compensated absences fund back into the general fund. Use revenue source 9710 in the receiving fund.
Material Prior Period Expenditure Adjustments (XXX-999-**9999**-892) Never negative.
Undistributed Benefits (X14-999-**9999**-2XX) for retirement fund benefits, X01999-9999-2XX for general fund workers' comp. benefits.)

EXPENDITURE OBJECT CODE DEFINITIONS

Object Dimension. This dimension is used to describe the service or commodity obtained as the result of a specific expenditure. There are three budget and reporting levels for object codes. The first level includes the following nine basic categories:

Current Expenditures:

- 1XX Personal Services—Salaries
- 2XX Personal Services—Employee Benefits
- 3XX Purchased Professional and Technical Services
- 4XX Purchased Property Services
- 5XX Other Purchased Services
- 6XX Supplies and Materials
- 7XX Property and Equipment Acquisition
- 8XX Other Expenditures (Except 892) Adjustments

to Beginning Fund Balance:

- 892 Material Prior Period Expenditure Adjustments Other

Uses of Funds:

- 9XX Other Uses of Funds

3-0600.40 EXPENDITURE FUNCTION DEFINITIONS (cont'd)

Code **Expenditure Function Definition**

Code **Expenditure Object Code Definition**

100 Personal Services—Salaries. Amounts paid to employees of the school district who are considered to be in positions of a permanent nature or hired temporarily, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the school district.

110 **Regular Salaries.** Full-time, part-time, and prorated portions of the costs for work performed by employees of the school district who are considered to be in positions of a permanent nature. Amounts paid to employees for holidays, sick leave, vacation leave, and personal leave should be included as regular salary. Amounts paid for unused sick or vacation leave upon termination of employment should be coded to object codes 160 or 170, respectively. References: Certified Staff - Title 20 Chapter 4 MCA, School Clerk - Title 20 Chapter 3 MCA, Classified Staff- Title 39, MCA, Holiday and Vacation and Sick Leave Pay - Title 2 Chapter 1 and Chapter 18.

111 **Administrative – Certified** (Business Managers/Clerks if duties are considered administrative)
112 **Professional — Educational** (Certified Teaching Staff)
113 **Professional — Other Certified Staff** (Librarians, Counselors, Psychologists, Physical and Speech Therapists)
114 **Custodial/Maintenance**
115 **Office/Clerical/Technology**
116 **Cooks**
117 **Teacher's Aides**
118 **Bus Drivers**
119 **Other Supervisory Salaries - Transportation, Food, or Building Supervisor or Activities Director**

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition

120 **Temporary Salaries.** Full-time, part-time, and prorated portions of the costs for work performed by employees of the school district who are hired on a temporary or substitute basis to perform work in positions of either a temporary or permanent nature. Athletic referees and judges for musical or speech activities who are not regular district employees should be recorded using object 340 - Technical Services. Also see object 150 Stipends.

121 **Official/Administrative**
122 **Professional/Educational/Substitute Teachers**
123 **Professional/Other**
124 **Technical**
125 **Office/Clerical**
126 **Service Work**
127 **Teacher's Aides**
128 **Bus Drivers**

130 **Overtime Salaries.** Amounts paid to employees of the school district in positions of either a temporary or permanent nature for work performed in addition to the normal work period for which the employee is compensated under regular salaries and temporary salaries above. The terms of such payment for overtime are a matter of state and local regulations and interpretation.

131 **Official/Administrative**
132 **Professional/Educational**
133 **Professional/Other**
134 **Technical**
135 **Office/Clerical**
136 **Service Work**

140 **Sabbatical Leave.** Amounts paid by the school district to employees on sabbatical leave.

141 **Official/Administrative**
142 **Professional/Educational**
143 **Professional/Other**
144 **Technical**
145 **Office/Clerical**

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition
146	**Service Work**

150 **Stipends.** An additional salary paid for additional duties such as curriculum development, coaching athletics, or directing activities such as the school yearbook or newspaper, sponsoring clubs, etc. Stipends are usually limited to teaching personnel. Additional hours **actually worked** by non-teaching personnel in excess of 40 hours in a workweek should be recorded and paid as overtime.

151 **Official/Administrative**
152 **Professional/Educational**
153 **Professional/Other**
154 **Technical**
155 **Office/Clerical**
156 **Service Work**

160 **Sick Leave Termination Pay.** Amounts paid an employee for termination sick leave pay as provided by Sections 2-18-618 and 20-9-512, MCA. Includes annual sick leave "buy outs" or "sell backs" provided in collective bargaining agreements with certified staff.

170 **Vacation Leave.** Amounts paid an employee for termination vacation pay as provided by Section 2-18-611, MCA.

180 **Bonuses.** Amounts paid to employees for hiring, retention, or retirement bonuses, or severance pay.

200 Personal Services—Employee Benefits. Amounts paid by the school district on behalf of employees in accordance with federal or state law or collective bargaining agreements.

210 **Social Security and Medicare Contributions.** Employer's share of social security and Medicare paid by the school district. See Title 19 Chapter 1, MCA. Beginning in 1991, separate records must be kept for employee and employer social security and Medicare contributions. For accounting and budgeting purposes, these amounts should be combined and recorded using this account.

220 **Teachers' Retirement.** The employer's contribution to the state Teachers' Retirement System for an employee. Refer to Title 19 Chapter 4, MCA.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

230 **PERS.** Employer's contributions to the state Public Employee's Retirement System for non-teaching employees. Refer to Title 19 Chapter 3, MCA.

240 **Unemployment Compensation.** Amounts paid by the school district to provide unemployment compensation for its employees. These charges should be distributed to functions in accordance with the salary budget. Refer to Title 39 Chapter 51, MCA.

250 **Workers' Compensation.** Amounts paid by the school district to provide worker's compensation insurance and payroll taxes for its employees. These charges should be distributed to functions in accordance with the salary budget. Refer to Title 39 Chapter 71, MCA.

260 **Health Insurance.** That portion of premiums for health insurance for employees which is paid for by the school district. Refer to Section 2-18-703, MCA. Payments to an employee in lieu of health insurance may should be recorded in 1XX salaries expense and may be subject to federal and state payroll withholding liabilities and employer paid contributions.

261 **Retiree Health Insurance/ Post Employment Benefits** -That portion of premiums for health insurance for retirees which is paid for by the school district.

270 **Life and Disability Insurance.** That portion of premiums for life and disability insurance for employees which is paid for by the school district.

280 **Other Employee Benefits.** Payments for other employee benefits such as moving expenses, car and housing allowances, etc. as long as the item is not subject to federal and state payroll withholdings. If these payments are compensation subject to federal and state payroll withholding liabilities and employer paid contributions, use 1XX salaries expense instead of 280. Include administrative costs of cafeteria plans in 280.

300 Purchased Professional and Technical Services (Contracted). Services which by their nature can be performed only by persons or firms with specialized skills and knowledge. Included are the contracted services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, accountants, etc.

310 **Official/Administrative Services.** Contracted services in support of the various policy-making and managerial activities of the school district. Included would be management consulting activities oriented to general governance or business and financial management of the school district; school management support activities; election and tax assessing and collection services. This object is usually used with function 2300 and 2400.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition
320	**Professional/Educational Services.** Contracted services in support of the instructional program and its administration. Included would be curriculum improvement services, counseling and guidance services, library and media support and contracted instructional services such as correspondence courses. Library and media support includes film rentals, user fees and telephone charges for electronic databases, satellite feeds, Internet, CompuServ, etc. This object is usually used with functions 1000, 2100, 2200, 2220, and 2225.
321	**Distant Learning Professional—Educational Services.** Contracted services in support of the distance learning programs.
330	**Other Professional Services.** Contracted professional services other than educational in support of the operation of the school district. Included are medical doctors, lawyers, non-capitalized architects fees, auditors, accountants, therapists, audiologists, dieticians, editors, negotiations specialists, systems analysts, planners, drug testing, etc.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code

Expenditure Object Code Definition

340 **Technical Services.** Contracted services to the school district which are not regarded as professional but require basic scientific knowledge and/or manual skills. Included are referees for athletic events, judges for musical or speech activities, data processing services, purchasing and warehousing services, graphic arts, etc.

350 **Contracted Services With Other Districts or Cooperatives.**

351 **Contracted Services with Other School Districts Within the State.** Includes contracts for specific services such as graphic arts, data processing, purchasing, and warehousing from other school districts rather than private contractors. Do not code transfer payments to flow funds from one school district for expenditure by another school district here; those transfers should be recorded using Function 6200 and Object 920 or 930. An example would be a lump sum contribution to a host district for a prorated share of a particular program budget. See Revenue Source 5700 and 5710 and Function 6200 and Object 920 and 930 for Resource Transfers To/From Other School Districts.

352 **Contracted Services with Other School Districts Outside the State.**

353 **Reserved.**

354 **Contracted Services with Cooperatives.** Includes contracts for services such as audiologists and speech or physical therapy from cooperatives rather than private contractors to school districts. Do not code transfer payments to flow funds from a school district for expenditure by the cooperative here; those transfers should be recorded using program 280 for special education, function 6200 and object 920 and 930. Examples would be lump sum contributions to a cooperative for a prorated share of a particular program budget. See revenue source 5700 and function 6200 and object 920 and 930 for Resource Transfers To/From Other School Districts.

400 Purchased Property Services. Services purchased to operate, repair, maintain, and rent property owned and/or used by the school district. These services are performed by persons other than school district employees.

410 **Energy Utility Services.** Expenditures for energy services supplied by public or private utilities, including electricity and gas. Used only with function 2600.

411 **Gas.** Expenditures for gas utility services from a private or public utility company.

412 **Electricity.** Expenditures for electric utility services from a private or public utility company.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code

Expenditure Object Code Definition

420 **Other Utility Services.** Expenditures for utility services other than energy services supplied by public or private organizations. Water and sewer are included here. Telephone and telegraph are not included here but are classified under Communications, 530.

421 **Water/Sewage.** Expenditures for water/sewage utility services from a private or public utility company including bottled water and rental of portable sewage facilities.

430 **Cleaning Services.** Services purchased to clean buildings, other than such services provided by school district employees. Used only with function 2600.

431 **Disposal Services.** Expenditures for the pick-up and handling of garbage, other than such services provided by school district personnel.

432 **Snow Plowing Services.** Expenditures for snow removal, other than such services provided by school district personnel.

433 **Custodial Services.** Expenditures for custodial services contracted with an outside contractor.

440 **Repair and Maintenance Services.** Expenditures for repairs and maintenance services not provided directly by school district personnel. This includes contracts and maintenance agreements covering the instructional and other equipment, upkeep of grounds, buildings, electrical, auto mechanics, and plumbing repairs; asbestos abatement; underground storage tank removal; roof, water well, and septic system replacement; and radon, asbestos, and water testing. Costs for renovating and remodeling are not included here, but are classified under object 460 Minor Construction Services or object 725 Major Construction Services. Replacement supplies and parts used by district personnel to repair and maintain grounds, buildings, and equipment should be recorded using object 615.

450 **Rentals**. Costs for rental of land, buildings, equipment and vehicles. Operating leases for long term use are also included here. See Topic 5 for discussion of Operating Leases.

451 **Rental of Land and Buildings.** Expenditures for operating leases or renting land and buildings for both temporary and long-range use by the school district. Used with function 2620. Long-term capital leases for acquiring buildings should be recorded using function 4500 and object 720.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code

452 **Rental of Equipment and Vehicles.** Expenditures for operating leases or renting of equipment or vehicles for both temporary and long-range use of the school district. Lease-purchase contracts which result in acquisition of equipment or vehicles should be recorded using the appropriate 700 object.

Expenditure Object Code Definition

460 **Minor Construction Services.** Amounts for minor renovating and remodeling paid to contractors. Used with function 2620 or 2630. Major renovating and remodeling should be recorded using object code 725. Materials or replacement supplies and parts used by district personnel for minor renovating and remodeling (generally under $300) should be recorded using object 615.

500 Other Purchased Services. Amounts paid for services rendered by organizations or personnel not on the payroll of the school district other than Professional and Technical Services or Property Services.

510 **Student Transportation Services.** Expenditures for transporting students to and from school. Student transportation for extracurricular activities or athletics should be recorded using program 710 and 720, and function 2700.

511 **Student Transportation Services from another School District within the State.** Amounts paid to other school districts within the state for the purpose of transporting children to and from school. These include payments to individuals who transport themselves or their own children or for reimbursement of transportation expenses on a public carrier. Expenditures for the rental of buses which are operated by school district personnel are not recorded here; they are recorded under 452, Rental of Equipment. Used only with function 2700.

512 **Student Transportation Services from another School District outside the State.** Payments to other school districts outside the state for transporting students to and from school. Used only with function 2700.

513 **Student Transportation Services from Private Bus Contractors.** Payments to private bus contractors for transporting students to and from school. Used only with function 2700.

514 **Student Transportation Services from Individuals.** Payments to individuals for transporting students to and from school or for reimbursing parents for correspondence courses offered in lieu of transportation on a TR-4. Used only with function 2700.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code

515 **Student Transportation Services Contingency.** Payments to districts for transporting new students to and from school. These are students who enrolled after the budget has been adopted. Used only with function 2700. See Section 20-10-143(2), MCA.

516 **Instructional Field Trips.** Payments to private contractors or individuals for transporting students on instructional field trips. Usually used in General Fund 01 and function 1000.

Expenditure Object Code Definition

520 **Insurance (other than employee benefits).** Expenditures for all types of insurance coverage including property, liability, fidelity, and student insurance. Insurance for group health is not charged here, but is recorded under object 260 Personal Services — Employee Benefits. Used with functions 2100, 2310, 2620, 2700, 3400 and 3500.

530 **Communications.** Services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone and voice communication services, telephone, and voicemail; data communication services to establish or maintain computer-based communications, networking, and Internet services; video communications services to establish or maintain one-way or two-way video communications via satellite, cable or other devices; postal communications services to establish or maintain postage machine rentals, postage, express delivery services, or couriers. Usually used with functions 2300, 2400, and 2500 but may be charged to other functions.

531 **Telephone.** Expenditures for telephone service and calls. Used with functions 2300, 2400, 2500, 3400, and 3500. Do not charge function 2600. Expenditures for phone modems used in instructional programs should be recorded under function 1000.

532 **Postage.** Expenditures for postage and postage machine rental. Used with function 2300, 2400, and 2500.

540 **Advertising.** Expenditures for printed or broadcast announcements in professional periodicals and newspapers or by way of radio and television networks. These expenditures include advertising for such purposes as personnel recruitment, legal ads, new and used equipment, and sale of property. Costs for professional fees for advertising or public relations services are not recorded here but are charged to 330, Other Professional Services. Usually used with functions 2300, 2500 or 2800.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code

545 **Recruitment.** Expenditures for printed or broadcast announcements in newspapers or by way of radio and television networks to recruit students for special programs. Used with function 2100.

550 **Printing, Binding and Duplication.** Expenditures for job printing and binding, usually according to specifications of the school district. This includes the design and printing of forms and posters as well as printing and binding of school district publications. Preprinted standard forms are not charged here, but are recorded under Supplies and Materials. Usually used with function 2540, but may be charged to other functions.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

560 **Tuition.** Expenditures to reimburse other educational agencies for instructional services rendered to students residing in the legal boundaries described for the paying school district. Used only with function 1000. Tuition for courses taken by staff should be recorded using object 582.

561 **Tuition to Other School Districts within the State.** Tuition paid to other school districts within the state. Used only with function 1000.

562 **Tuition to Other School Districts outside the State.** Tuition paid to other school districts outside the state. Used only with function 1000.

563 **Educational Fees to Detention Facilities.** Fees paid to Regional and County Youth Detention Facilities under MCA 41-5-1807. Pay using Tuition Fund (13).

570 **Food Services.** Expenditures for the operation of a local food service facility by other than employees of the school district. Also included are contracted services, such as food preparation, associated with the food service operation. Direct expenditures by the school district for food, supplies, labor and/or equipment would not be charged here. Used only with function 3100.

581 **Travel In-District.** Expenditures for mileage, transportation, meals, per diem, and other expenses associated with staff travel within the school district or cooperative service area. Travel within the school district related to student extracurricular activities and athletics is included here.

582 **Travel Out-of-District/Inservice Training.** Expenditures for transportation, airfare, meals, per diem, hotel, registration fees, and other expenses associated with staff travel outside the school district for inservice training or other professional development activities such as serving on an advisory committee. Travel outside the school district related to student extracurricular activities and athletics is included here.

Expenditures for inservice training conducted by the district are also recorded here. These expenditures include room rentals, supplies, name badges, printing, postage, coffee, and refreshments. Fees, honorariums and related expenses such as travel, motel, etc. for speakers are included here.

This object should be used with function 2213 Instructional Staff Development Services or other functions as appropriate.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

An internal service fund should be used to account for inservice training conducted by a host district for other school districts which reimburse the host district for costs relating to the inservice. See Topic 5-1530.00.

590 **Miscellaneous Purchased Services.** Other services not more appropriately accounted for under objects 501-589.

591 **Miscellaneous services purchased locally.**

592 **Reserved**

593 **Reserved**

594 **Student Room and Board - In State.** Expenditures for student room and board in state as required by state or federal regulations. Usually used with program 456 and function 2100 (Federal IDEA, Part B grant)..

595 **Student Room and Board - Out of State.** Expenditures for student room and board out of state as required by state or federal regulations. Usually used with program 456 (Federal IDEA Part B Grant) and function 2100.

600 Supplies and Materials. Amounts paid for items of an expendable nature that are consumed, worn out, or deteriorated in use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

610 **Supplies.** Expenditures for all supplies (other than those listed below) for the operation of a school district, including freight and cartage. Instructional materials and manipulative devices are included here. A more thorough classification of supply expenditures is achieved by identifying the object with the function, for example, audiovisual supplies or classroom teaching supplies. Used with all functions, except 4000 and 5000.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

615 **Replacement Supplies and Parts.** Replacement supplies and parts used by district personnel to repair and maintain grounds, buildings, and equipment. Materials or replacement supplies and parts used by district personnel for minor renovating and remodeling under the district's capitalization threshold (usually $5,000 or the district's current capitalization threshold, if lower) should be included here.

620 **Energy Supplies.** Expenditures for bulk gas, oil, coal and gasoline. Services received from public or private utility companies are classified under object 410.

621 **Bottled Gas.** Expenditures for bottled gas, such as propane gas received in tanks. Natural gas received through a utility company should be charged to 411 Gas. Used with function 2620 or 3100. Bottled gas used in instructional programs should be coded to 610 Supplies.

622 **Oil.** Expenditures for bulk oil used for heating. Used with function 2620. 623 **Coal.** Expenditures for raw coal used for heating. Used with function 2620.

624 **Vehicle/Equipment Fuel.** Expenditures for gasoline, diesel, and propane purchased in bulk or periodically from a supplier. Usually used with functions 2650 and 2720. Gasoline used in instructional programs should be coded to 610 Supplies.

630 **Food.** Expenditures for food to operate the school food service program. Usually used with function 3100.

640 **Books.** Expenditures for textbooks, workbooks, reference books, sheet music, encyclopedias, and library books prescribed and available for general use by students. This category includes the costs of binding or other repairs to textbooks or school library books. See objects 650, 681, and 682.

650 **Periodicals.** Expenditures for periodicals and newspapers for general use. A periodical is any publication appearing at regular intervals of less than a year and continuing for an indefinite period.

660 **Minor Equipment—New.** Expenditures for new equipment, the cost of which does not meet the capitalization policy of the district. (Usually under $5,000.)

670 **Minor Equipment—Replacement.** REPLACEMENT EQUIPMENT MAY BE RECORDED USING 660 MINOR EQUIPMENT-NEW UNLESS THE BOARD DETERMINES IT MUST TRACK REPLACEMENT COSTS FOR SOME MANAGERIAL REASON. THIS IS NOT REAQUIRED BY OPI. Expenditures for replacement equipment, the cost of which does not meet the capitalization polo9icy of the district. (Usually under $5,000.)

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition
681	**Major Computer Software.** Expenditures for computer software, the cost of which does not meet the capitalization policy of the district. (Usually under $5,000, or the district's current capitalization threshold, if lower). Include license fees for using software.
682	**Major Media Software.** ("Audio Visual") Expenditures for media software, the cost of which does not meet the capitalization policy of the district. Media software includes videos, filmstrips, cassettes, records, games, study prints, manipulatives, laser disks, compact disks, slides, 16mm films, and material kits. (Usually under $5,000, or the district's current capitalization threshold, if lower.)

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

700 Capital Outlay. Expenditures from governmental and expendable trust funds for the acquisition of fixed assets, such as land, buildings, building improvements, and equipment should be charged to the following object accounts. Expenditures for fixed assets acquired by proprietary and non-expendable trust funds should be recorded directly to the fixed asset balance sheet accounts rather than line item expenditures accounts. Expenditures charged to these objects should parallel the federal and district's capitalization policies for fixed assets. Assets purchased from federal funds and costing $5,000 or more must be coded using one of the following appropriate 700 series object codes. Assets purchased from local or state funds should be coded to those object codes if the cost is within the district's capitalization policy.

710 **Land.** Expenditures for the purchase of land and existing improvements thereon. Purchases of air rights, mineral rights, and the cost to prepare the land for use are included here. This object is used only with function 4100. At the end of the fiscal year, the balance in this account should be recorded on the Fixed Asset Schedule under balance sheet account 311 Land.

715 **Land Improvements.** Expenditures for contracted construction of land improvements should be recorded here. Land improvements include grading, landscaping, sod, seeding, and planting of shrubs and trees; constructing new sidewalks, roadways, retaining walls, sewers and storm drains; installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; furnishing and installing fixed playground apparatus, flagpoles, gateways, fences, and underground storage tanks which are not parts of building service systems; and demolition work.

If district employees construct land improvements, charge salaries (1XX), benefits (2XX), and supplies (610), etc. to function 2600-Operations and Maintenance of Plant. Charge materials to object 715.

Object 715 should be used only with function 4200.

"Infrastructure" assets such as sidewalks, curbs, gutters, etc. are not normally recorded on the Fixed Asset Schedule. If these costs are recorded as fixed assets, the balance in this account at the end of the fiscal year should be recorded on the Fixed Asset Schedule under balance sheet account 321 Land Improvements. If the district does not record these costs as fixed assets, the expenditures for capital outlay (4XXX) in a fiscal year will not agree with the net increase in the value of the district's total fixed assets as shown on the Fixed Asset Schedule that year.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition

720 **Purchase of Existing Buildings** (used with function 45XX). Costs of acquiring existing buildings, including payment of the total principal portion capital leases (excluding interest) used to purchase existing buildings. (See section 5-1330.31 for recording capital leases.) For construction of buildings, see object 725.

725 **Major Construction Services** (Use with functions 45XX Buildings or 46XX Building Improvements) Expenditures for constructing new buildings and major renovating and remodeling paid to contractors for major permanent structural alterations, initial or additional installation of heating and ventilating systems, electrical systems, plumbing systems, fire protection systems, and other service systems in existing buildings. Includes architect fees to be capitalized as part of the cost of the building.

Improvements to buildings (such as replacement of worn carpeting, flooring, ceiling tiles, etc.) must be classified either as repairs/maintenance or as betterments increasing the value of the building. Betterments should be charged to XXX-XXX-46XX-725. Maintenance/repairs should be charged to XXX-XXX26XX-440 Repairs or 460 Minor Construction Services.

At the end of the fiscal year, the balance charged to object 725 should be recorded on the Fixed Asset Schedule under balance sheet account 331 Buildings and Building Improvements if the project is complete or account 351
Construction Work in Progress. This object should only be used with function 4500 and 4600.

New Buildings Constructed by Contractors:

Expenditures for building new buildings or building improvements by contractors should be charged to object 725 Major Construction Services.

New Buildings Constructed by District Employees:

When buildings or building improvements are constructed by district employees, expenditures for salaries (1XX), benefits (2XX), and supplies (6XX) should be recorded under function 2600-Operations and Maintenance of Plant. Materials should be recorded under 725 Buildings and Building Improvements. Building materials include

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

carpet, drapes, built-in shelving, chalkboards, floor and ceiling tile, wood, sheet rock, etc.

730 **Major Equipment - New.** Expenditures for the purchase of equipment, machinery, furniture, and vehicles.

731 **New Machinery.** Expenditures for machinery usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill press, printing press, etc. Usually used with functions 1000 and 2600.

732 **New Vehicles.** Expenditures for vehicles used to transport persons or objects. Examples are automobiles, trucks, buses, station wagons, and vans. Usually used with functions 2630 and 2700 (school buses) and 2630 (other vehicles).

733 **New Furniture.** Expenditures for new furniture. Furniture includes desks, chairs, moveable shelving, etc. Usually used with all functions, except 5000.

734 **Other New Equipment.** Expenditures for all other new equipment not classified elsewhere in the 730 object series.

740 **Major Equipment - Replacement.** (OPTIONAL -- REPLACEMENT EQUIPMENT MAY BE RECORDED USING 730 MAJOR EQUIPMENT-NEW UNLESS THE BOARD DETERMINES IT MUST TRACK REPLACEMENT COSTS FOR SOME MANAGERIAL REASON. THIS IS NOT REQUIRED BY OPI.) Expenditures for the replacement of equipment, machinery, furniture, and vehicles.

741 **Replacement Machinery.** Expenditures for replacement machinery usually composed of a complex combination of parts (excluding vehicles). Examples are lathes, drill press, printing press, etc. Usually used with functions 1000 and 2600. (Note: This account code is generally used only for replacement buses and radios purchased from the bus depreciation fund.)

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition
742	**Replacement Vehicles.** Expenditures for replacement vehicles used to transport persons or objects. Examples are automobiles, trucks, buses, station wagons, and vans. Usually used with functions 2630 and 2700.
743	**Replacement Furniture.** Expenditures for replacement furniture. Furniture includes desks, chairs, moveable shelving, etc. Usually used with all functions, except 5000.
744	**Other Replacement Equipment.** Expenditures for all other replacement equipment not classified elsewhere in the 740 object series.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

750 **Depreciation.** The portion of the cost of a fixed asset, except for land, which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is allocated over the estimated service life of the asset, and each accounting period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense. Depreciation expense is generally recorded for governmental activities only at year end on the Fixed Asset Schedule of the Trustee's Financial Summary. For fixed assets of Enterprise funds (Funds 70 - 72), depreciation expense should be recorded as an expenditure in the district's accounting records. Land is never depreciated.

780 **Major Technology Hardware.** Expenditures for computer hardware, monitors, overhead projection devices for computers, computer packages. See object codes 681 and 682 for reporting computer software expenditures.

781 Major Technology Hardware.

782 Major Technology Software.

800 Other Objects. Amounts paid for goods and services not otherwise classified above. Object 800 may not be used with functions 5100, 5200, 5300, 6100, 6200, or 6300. Use objects below wherever appropriate.

810 **Dues and Fees.** Expenditures or assessments for membership in professional or other organizations.

820 **Judgments Against the School District.** Expenditures from current funds for all judgments (except as indicated below) against the school district that are not covered by liability insurance, but are of a type that might have been covered by insurance. Only amounts paid as the result of court decisions are recorded here. Judgments against the school district resulting from failure to pay bills or debt service are recorded under the appropriate expenditure accounts as though the bills or debt service had been paid when due. This object is used only with function 2310.

830 **Special Assessments.** Expenditures to repay long term debt related to sidewalks, curbs, and storm sewers projects levied against school district property. Special assessments for maintenance fees, such as, street lighting, landfill or garbage services, etc. should be coded to object 440 or any other appropriate object.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code	Expenditure Object Code Definition
840	**Principal on Debt.** Outlays from current funds to retire bonds, capital leases, and long-term loans with the Board of Investments. Include outlays from refunding bonds to retire old issues. Repayment of short-term notes or loans with the Board of Investments should not be recorded as an expenditure but recorded using balance sheet account 650, Loans Payable. Only interest on short term notes should be recorded as an expenditure.
850	**Interest on Debt.** Expenditures for interest on bonds, capital leases, loans with the Board of Investments, and registered warrants.
860	**Agent Fees/Issuance Costs.** Expenditures to fiscal agent who handles bond and coupon redemption (Function 51XX/63XX), long term loans, or investments. Includes expenditures for commitment fees or loan origination fees charged by the Board of Investments for INTERCAP loans (Function 52XX), fees charged by the county treasurer for administering investments in a county investment program (Function 23XX), or debt issuance costs (Function 4600). Debt issuance costs should be capitalized as fixed assets when bond proceeds are used to build or remodel school structures.
870	**Student Scholarships.** Expenditures to colleges or universities for students scholarships. Usually paid from the Endowment Fund (81) or Miscellaneous Trust Fund (85). Usually used with program 800 and function 3300.
880	**Other Vocational Education Related Costs.** Expenditures for vocational education costs relating to student organizations, dues, registration fees, official clothing, etc.
892	**Material Prior Period Expenditure Adjustments.** (Use with XXX-999-9999-892) Expenditure adjustments relating to a prior fiscal year including adjustments for material accrual understatements. Charges to 892 are subject to the total budget limitations of the fund. Immaterial accrual understatements should be charged to the appropriate current year object code. See Topic 5-0360 and 5-0280 for discussion of accrual understatements and overstatements and revenue source 6100 Material Prior Period Revenue Adjustments. This object would include audit findings which result in material refunds of state or federal funds. As provided in A.R.M. 10.10.305(2), a budget transfer may be made from other appropriations to provide budget authority for transactions recorded in this account. NEVER NEGATIVE.

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

Other Uses of Funds. Includes transactions which are not properly recorded as expenditures by the school district, but require budgetary or accounting control. Usually used with governmental type funds or expendable trust funds.

910 **Operating Transfers to Other Funds.** Used to account for the operating transfer from the General Fund to Compensated Absence Fund or the General Fund to the Litigation Reserve Fund. In the General Fund, use 910 to record a transfer to the Self Insurance - Health Fund to fund costs of the self insurance fund which exceed the actuarially determined premium. Do not use 910 to record transfers between funds which are quasi-external transactions, reimbursements to correct coding errors, residual equity transfers, or interfund loans here. See Topic 5 for discussion of interfund transfers.

When preparing GAAP financial statements, objects 920, 930 and 940 may be classified under an appropriate function other than 6200. OPI uses these accounts from the Trustees' Report to eliminate duplicate reporting of expenditures on a statewide basis. They are not "Other Financing Uses" as defined by generally accepted accounting principles.

920 **Resources Transferred to Other School Districts or Cooperatives.** Used to account for resources recorded as revenue by one district or cooperative, but transferred to another district or cooperative for expenditure. For example, a lump sum payment or contribution to a special education cooperative for a member's prorated share of the cooperative's budget should be recorded using 920. The paying district or cooperative must identify the original source of the money transferred to the receiving district or cooperative. See revenue source 5700 and 5710. Used with function 6200 only.

Contracts for specific services such as graphic arts, data processing, purchasing, and warehousing received from other school districts, rather than private contractors, should be recorded using object code 351. Contracts for services, such as audiologists, speech or physical therapy, provided by cooperatives rather than private contractors, should be recorded using object code 354.

Use 930 for transferring grant money to other districts or cooperatives.

930 **Federal or State Grant Resources Transferred to Other School Districts or Cooperatives.** (Use with XXX-___-62XX-930-___) Used to record the transfer of grant money received by one district or cooperative and transferred to another district or cooperative for expenditure. See Topic 5 for a discussion of interdistrict transactions. The paying district or cooperative must identify the original source of the money being transferred by using a project reporter code with the expenditure code for the transfer. See revenue source code 5700. Use with function 6200 only.

Use 920 for transferring non-grant money to other districts or cooperatives.

CHART OF ACCOUNTS

3-0600.50 EXPENDITURE OBJECT CODE DEFINITIONS (cont'd)

Code **Expenditure Object Code Definition**

940 **Indirect Costs.** Used to record the transfer of indirect cost recoveries or balances under $10 from grants to the indirect cost pool in Miscellaneous Fund 15. Use with function 6200.
(Code using XXX-___-62XX-940-___).

971 **Residual Equity Transfers Out.** (Use with XXX-999-9999-971) This account is used to record nonrecurring or nonroutine transfers of equity between funds (i.e. residual balances of discontinued funds which are transferred to the general fund.) Used with program 999 and function 9999. See revenue source code 9710 for recording residual equity transfers in. Total residual equity transfers out for all funds must equal total residual equity transfers in for all funds. Section 209-208, MCA, transfers must be reported using the OPI-assigned project reporter code.

3-0710.10 OPERATING STATEMENT – REVENUE ACCOUNT MATRIX

COUNTY TREAS BARS ACCOUNT	CURRENT OPI ACCOUNT	ACCOUNT DESCRIPTION	LEGAL REFERENCE	FUND DISTRIBUTION
		REVENUE FROM LOCAL SOURCES - 1000		
311010	1111	District – Real Property Tax	Various	Levied Funds/Budgeted
311022	1112	District – Personal Property	Various	Levied Funds/Personal
----------	1113	District – Special Mobile Equipment	61-3-431	Levied Funds/Personal
311021	1114	District – Personal Property – Mobile Homes	Various	Levied Funds
311040	1116	District – Net and Gross Proceeds	15-23 – Part 5 & 8	Levied Funds
----------	1117	District – Distribution of Prior Year's Protested Taxes	20-9-104	Levied Funds
----------	1118	District – Dept. of Revenue Tax Audit Receipts		Levied Funds
----------	1123	District – Coal Gross Proceeds	15-23-703	1989 Mill Levies
313000	1130	District – Tax Title and Property Sales	7-8-2306	Levied Funds
312000	1190	District – Penalties and Interest on Delinquent Taxes	AGO N71 V42	Levied Funds
----------	1310	District – Tuition, Individual	20-5-324	General Fund
----------	1311	District – Driver's Ed Fees	20-7-507	Traffic Ed Fund
----------	1320	District – Tuition, In State school district	20-5-324	General Fund
----------	1330	District – Tuition, Out of State school district	20-5-324	General Fund
	1340	District – Adult Education Fees	20-7-704	Adult Ed Fund

----------	1410	District – Transportation Fees – Individual	20-10-122/123	General/Transp Fund
----------	1420	District – Transportation Fees – In State school district	20-10-144	General/Transp Fund
----------	1430	District – Transportation Fees – Out of State school district	20-10-144	General/Transp Fund
	1440	District – Transportation Fees – Student Activity, Other	20-9-214	General/Transp Fund
----------				
371000	1510	District – Interest Earnings	20-9-212/213	To Fund Earning
371000	1520	District – Investment Dividends	20-9-212/213	To Fund Earning
371000	1530	District – Net Increases/Decreases in Fair Value of Investments	20-9-212/213	To Fund Earning
----------	1611	District – Food Sales, Reimbursable Lunch	20-10-207	Lunch Fund
----------	1612	District – Food Sales, Reimbursable Breakfast	20-10-207	Lunch Fund
----------	1613	District – Food Sales, Special Milk	20-10-207	Lunch Fund
----------	1614	District – Snack Program	20-10-207	Lunch Fund
----------	1621	District – Food Sales, Non-Reim Lunch	20-10-207	Lunch Fund
----------	1622	District – Food Sales, Non-Reim Breakfast	20-10-207	Lunch Fund
----------	1623	District – Food Sales, Non-Reim Milk	20-10-207	Lunch Fund
----------	1624	District – Snack Sales	20-10-207	Lunch Fund
----------	1630	District – Food Sales, Catering	20-10-207	Lunch Fund

----------	1632	District – Food Sales, Adult	20-10-207	Lunch Fund
----------	1634	District – Food Sales, Ala Carte	20-10-207	Lunch Fund
----------	1636	District – Food Sales, Summer Foods – Adult	20-10-207	Lunch Fund

COUNTY TREAS BARS ACCOUNT	CURRENT OPI ACCOUNT	ACCOUNT DESCRIPTION	LEGAL REFERENCE	FUND DISTRIBUTION
		REVENUE FROM LOCAL SOURCES - 1000		
----------	1700	District – Student Extracurricular Activity Receipts	20-9-214	Student Activity Fund
---------				
---	1800	District – Community Service Activities	20-9-214	General/Rental Fund
----------	1900	District – Other Revenue – Attach Supplemental Explanation		
----------	1910	District – Rentals/Building & Equipment	20-6-607	General/Rental Fund
----------	1911	Private Insurance – Audiological		Misc Programs Fund
----------	1912	Private Insurance – Physical Therapy		Misc Programs Fund
----------	1913	Private Insurance – Occupational Therapy		Misc Programs Fund
----------	1914	Private Insurance – Speech Therapy		Misc Programs Fund
----------	1915	District – Dorm Charge – Students/Teachers	20-9-509	General/Rental Fund
----------	1920	District – Contributions and Donations	20-9-604	Per Donation
----------	1940	District – Textbook Sale and Rental	20-9-214	General
----------	1945	District – Fees for Resale of Supplies and Materials	20-9-214	General
----------	1950	District – Services Provided Other Schools	20-9-701	General/Interlocal Agmt
----------	1960	District – Services Provided Other Governments	20-9-701	General/Interlocal Agmt
----------	1970	District – Services Provided Other Funds		
----------	1981	District – Summer School Tuition	20-9-214	General
----------	1982	District – Drivers Ed Fee – Summer Session	20-7-507	Traffic Ed Fund
		REVENUE FROM COUNTY SOURCES – 2000		
----------	2114	County Metal Mines License Taxes 20-9-231	15-37-111	Metal Mines Fund
----------	2115	County Hard Rock Mining Impact Trust Reserve 20-9-231	7-6-2225	Metal Mines Fund
----------	2220	County Transportation Reimbursement	20-10-146	Transportation Fund
----------	2240	County Distribution – Retirement	20-3-205	Retirement Fund
COUNTY TREAS BARS ACCOUNT	**CURRENT OPI ACCOUNT**	**ACCOUNT DESCRIPTION**	**LEGAL REFERENCE**	**FUND DISTRIBUTION**
		REVENUE FROM STATE SOURCES - 3000		

3-0710.10 OPERATING STATEMENT – REVENUE ACCOUNT MATRIX

----------	3110	Direct State Aid	20-9-344, 20-5-324	General/Tuition
----------	3111	Quality Educator	20-9-327	General Fund
----------	3112	At-Risk Student Payment	20-9-328	General Fund
----------	3113	Indian Education for All	20-9-329	General Fund
----------	3114	American Indian Achievement Gap	20-9-330	General Fund
----------	3115	State Spec Ed Allowable Cost Pmt to Districts	20-9-321	General Fund
----------	3117	State Tuition for State Placement	20-5-323 & 20-5-324	Gen/ Transp/Misc Prog
	3120	State Guaranteed Tax Base Subsidy	20-9-367 & 368	General/Rtmt/Debt Svc
----------				
----------	3210	State Transportation Aid	20-10-145	Transportation Fund
----------	3220	State Food Services Match	20-10-201	School Food Fund
----------	3233	State Special Education Co-op Payment	20-7-451	Co-op Fund 382
----------	3234	State Quality Educator Payment to Coop	20-9-327	Co-op Fund 382
----------	3235	State Audiology Contracts	20-7-403	Misc Programs Fund
----------	3250	Montana Digital Academy	20-7-1201	Interlocal Agreement
----------	3260	State Driver Education	20-7-507	Traffic Ed Fund
----------	3270	State Advancing Agriculture Education	20-7-334	Misc Programs Fund
----------	3281	State Technology Aid	20-9-533	Misc Prog/Tech Fund
----------	3282	State Flex Fund Payment	20-9-543	Flexibility Fund
	3290	Other State Grants		Misc Programs Fund

----------	3302	State Payment In Lieu of Taxes-Fish/Wildlife/Parks	87-1-604	Per Co. Commissioners
----------	3330	State Hard Rock Mining Impact Aid		
----------	3340	State Coal Board Grants	90-6-208	Misc Programs Fund
----------	3351	Medicaid – Audiological		Misc Programs Fund
----------	3352	Medicaid – Physical Therapy		Misc Programs Fund
----------	3353	Medicaid – Occupational Therapy		Misc Programs Fund
----------	3354	Medicaid – Speech Therapy		Misc Programs Fund
----------	3355	Medicaid – Miscellaneous		Misc Programs Fund
----------	3356	Medicaid – CSCT		Misc Programs Fund
----------	3357	Medicaid – Montana Administrative Claiming (MAC) Reimbursement		Misc Programs Fund
----------	3358	Medicaid – Paraprofessionals		Misc Programs Fund

3-0710.10 OPERATING STATEMENT – REVENUE ACCOUNT MATRIX

COUNTY TREAS BARS ACCOUNT	CURRENT OPI ACCOUNT	ACCOUNT DESCRIPTION	LEGAL REFERENCE	FUND DISTRIBUTION
		REVENUE FROM STATE SOURCES - 3000		
----------	3444	School Block Grant (HB124)	SB424	General/Transportation
----------	3445	Combined Fund School Block Grant (SB424)	SB424	Levied Funds
----------	3460	State Montana Oil and Gas Tax		1989 Mill Levies
	3470	Montana Bentonite Tax	15-39-110	Budgeted Funds

----------	3600	State Gifted and Talented Grant	20-7-903	Misc Programs Fund
----------	3610	State In State Day Treatment Funds		Misc Programs Fund
----------	3620	State Adult Education Reimbursement	20-7-712	Misc Programs Fund
----------	3630	OTO Energy Cost Relief and Transportation	HB1 (2005)	Misc Programs Fund
----------	3640	OTO Weatherization and Deferred Maintenance	HB1 (2005)	Misc Programs Fund
----------	3650	OTO Indian Education for All	HB1 (2005) SB2 (2007)	Misc Programs Fund
----------	3660	OTO Capital Investment and Deferred Maintenance	SB2 (2007)	Misc Programs Fund
----------	3670	OTO Kindergarten Start-up	SB2 (2007)	Misc Programs Fund
----------	3680	K-12 Education Data Systems	HB 2 (2007)	Misc Programs Fund
----------	3900	State Career and Technical Education (CTE)	20-7-306	Misc Programs Fund

COUNTY TREAS BARS ACCOUNT	CURRENT OPI ACCOUNT	ACCOUNT DESCRIPTION	LEGAL REFERENCE	FUND DISTRIBUTION
		REVENUE FROM FEDERAL SOURCES - 4000		
----------	4100	Miscellaneous Direct Federal Grants	20-9-507	Misc Programs Fund
----------	4110	Head Start	20-9-507	Misc Programs Fund
----------	4120	Title VI, Part B, Subpart 1, Small Rural Schools (SRS)	20-9-507	Misc Programs Fund
----------	4130	Title VII Indian Education	20-9-507	Misc Programs Fund
----------	4140	Title VII, Johnson O'Malley (JOM) Indian Education	20-9-507	Misc Programs Fund
----------	4200	Title I, Part A, Improving Basic Programs	20-9-507	Misc Programs Fund
----------	4210	Title I, Part A, Accountability	20-9-507	Misc Programs Fund
----------	4220	Title I, Part A, Improvement Grants	20-9-507	Misc Programs Fund
----------	4230	Title I, Part B, Subpart 1, Reading First	20-9-507	Misc Programs Fund
----------	4240	Title I, Part B, Subpart 3, Even Start	20-9-507	Misc Programs Fund
----------	4250	Title I, Part C, Migrant Education	20-9-507	Misc Programs Fund
----------	4260	Title I, Part C, Migrant Incentive	20-9-507	Misc Programs Fund
----------	4270	Title I, Part D, Neglected, Delinquent & At-Risk Youth	20-9-507	Misc Programs Fund
----------	4280	Title I, Part F, Comprehensive School Reform	20-9-507	Misc Programs Fund
----------	4290	Title I, Part G, Advanced Placement	20-9-507	Misc Programs Fund
----------	4300	Title II, Part A, Teacher and Principal Training & Recruiting	20-9-507	Misc Programs Fund
----------	4310	Title II, Part D, Educational Technology	20-9-507	Misc Programs Fund
----------	4320	Title III, Part A, English Language Acquisition/Enhancement	20-9-507	Misc Programs Fund
----------	4330	Title IV, Part A, Safe & Drug-Free Schools & Communities	20-9-507	Misc Programs Fund
----------	4340	Title IV, Part B, 21st Century Community Learning Centers	20-9-507	Misc Programs Fund
----------	4350	Title V, Part A, Innovative Programs	20-9-507	Misc Programs Fund
----------	4360	Title V, Part D, Subpart 3, Character Education	20-9-507	Misc Programs Fund
----------	4370	Title VI, Part B, Subpart 2, Rural Low-Income Schools (RLI)	20-9-507	Misc Programs Fund
----------	4380	Title X, Part C, Education of Homeless Children & Youth	20-9-507	Misc Programs Fund
----------	4390	Title I, Part G, School Improvement	20-9-507	Misc Programs Fund

----------	4510	Carl Perkins (Federal Vo-Ed) – Basic Grant	20-9-507	Misc Programs Fund
----------	4520	Carl Perkins (Federal Vo-Ed) – Competitive	20-9-507	Misc Programs Fund
----------	4530	Adult Basic Education TANF	20-9-507	Misc Programs Fund
----------	4540	Adult Basic and Literacy Education (ABLE)	20-9-507	Misc Programs Fund
----------	4550	Federal School Food Reimbursement	20-10-201	School Foods Fund
----------	4552	Fresh Fruit and Vegetable Program	20-10-201	School Foods Fund
----------	4555	School Food Summer Program	20-10-201	School Foods Fund
----------	4556	Adult/Child Care Program	20-9-507	Misc Programs Fund
----------	4560	IDEA, Part B, Children with Disabilities	20-9-507	Misc Programs Fund
----------	4570	IDEA, Preschool	20-9-507	Misc Programs Fund
----------	4580	IDEA, Part D, State Program Improvement	20-9-507	Misc Programs Fund
COUNTY TREAS BARS ACCOUNT	**CURRENT OPI ACCOUNT**	**ACCOUNT DESCRIPTION**	**LEGAL REFERENCE**	**FUND DISTRIBUTION**
		REVENUE FROM FEDERAL SOURCES - 4000		
----------	4650	Misc. Federal Grants from OPI (Learn & Serve, Reading Excellence, School Renovation, IDEA, Technology)	20-9-507	Misc Programs Fund
----------	4700	Misc. Federal Grants from Other State Agencies	20-9-603	Misc Programs Fund
----------	4710	GEAR UP	20-9-507	Misc Programs Fund
----------	4720	Carl Perkins (Federal Vo-Ed) – Tech Prep	20-9-507	Misc Programs Fund
----------	4730	Public Health Emergency Preparedness		Misc Programs Fund
----------	4800	Federal Payment in Lieu of Taxes	7-6-101	Per County Commission
----------	4820	Federal Impact Aid (P.L. 874)	20-9-514	Impact Aid Fund
----------	4821	Federal Impact Aid Discretionary Construction		Misc Programs Fund
----------	4930	Federal Indirect Cost Reimb/Aggregate of Reimbursements	20-9-507	Misc Programs Fund
----------	4940	Schoolwide	20-9-507	Misc Programs Fund
		REVENUE FROM OTHER FINANCING SOURCES – 5000		
----------	5110	Sale of Bonds	20-9-508	Building Fund
----------	5120	Proceeds from Refunding Bonds	20-9-412	Building Fund
----------	5200	Sale or Compensation for Loss of Assets 20-9-604	20-9-508	Discretion of Board
----------	5300	Operating Transfers from Other Funds	Topic 5-0520	General/Comp Absences
----------	5400	Proceeds from Long-Term Liabilities/Board of Investments	20-9-471	Bldg/Bldg Res/Misc Prog
----------	5700	Resource Transfers from Other School Districts or Cooperatives	Topic 5-1500	General/Misc Prog/X82

----------	5710	Special Education Resource Transfers of Local/State Funds		Co-op Fund
		ADJUSTMENT TO BEGINNING FUND BALANCE – 6000		
----------	6100	Material Prior Period Revenue Adjustments	ARMS 10.10.305	
----------	9710	Residual Equity Transfers In	20-9-201	General Fund

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

BALANCE SHEET ACCOUNTS		GOVERNMENTAL FUNDS							
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND			SPECIAL REVENUE FUNDS						
	Normal or Usual Balance	General Fund 01	Transportation Fund 10	Bus Depreciation Fund 11	School Food Fund 12	Tuition Fund 13	Retirement Fund 14	Miscellaneous Programs Fund 15	Adult Education Fund 17
ASSETS AND OTHER DEBITS									
101 Cash	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
103 Petty Cash	Debit	Yes							
104 Change Cash	Debit	Yes			Yes				
105 Cash with Fiscal Agents	Debit	Yes							
110 Investment Accounts Outside County Treasurer	Debit								
111 Investments	Debit	Yes	Yes	Yes	Yes	Yes	Yes		Yes
112 Increases and Decreases in Fair Value of Investments									
113 Unamortized Discounts on Investments	Credit								
114 Interest Receivable on Investments	Debit	Yes	Yes	Yes	Yes	Yes	Yes		Yes
115 Accrued Interest on Investments Purchased	Debit								
120 Taxes Receivable – Real Property	Debit	Yes	Yes	Yes		Yes			Yes
129 Allowance for Uncollectible Taxes – Real Property	Credit	Yes	Yes	Yes		Yes			Yes
130 Taxes Receivable – Personal/Mobile Homes	Debit	Yes	Yes	Yes		Yes			Yes
139 Allowance for Uncollectible Taxes – Personal	Credit	Yes	Yes	Yes		Yes			Yes
140 Taxes Receivable – Other Taxes	Debit	Yes	Yes	Yes		Yes			Yes
149 Allowance for Uncollectible Taxes – Other Taxes	Credit	Yes	Yes	Yes		Yes			Yes
150 Taxes Receivable – Protested Taxes	Debit	Yes	Yes	Yes		Yes			Yes
159 Allowance for Uncollectible Taxes – Protested	Credit	Yes	Yes	Yes		Yes			Yes
160 Interfund/Loan Receivable from Other Funds	Debit								
170 Due from Other Funds	Debit								
180 Due from Other Governments	Debit	Yes	Yes		Yes		Yes	Yes	Yes
190 Accounts Receivable	Debit	Yes	Yes		Yes				Yes
199 Allowance for Uncollectible Accounts Receivable	Credit	Yes	Yes		Yes				Yes
210 Bond Proceeds Receivable	Debit	Yes							
220 Inventories for Consumption – Materials and Supplies	Debit				Yes				
230 Inventories for Resale	Debit				Yes				
240 Prepaid Expenses	Debit								
250 Deposits	Debit								

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

BUDGETING/NOMINAL ACCOUNTS – CLOSED TO 970 UNRESERVED FUND BALANCE									
401 Estimated Revenues (Bdgt.Funds)	Debit	Yes	Yes	Yes		Yes	Yes		Yes
402 Revenues/Other Sources	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
490 Non-Budgeted Revenues–GAAP Purposes (e.g., leases)	Credit								

BALANCE SHEET ACCOUNTS		**GOVERNMENTAL FUNDS**							
			SPECIAL REVENUE FUNDS						
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND	**Normal or Usual Balance**	**General Fund 01**	**Transportation Fund 10**	**Bus Depreciation Fund 11**	**School Food Fund 12**	**Tuition Fund 13**	**Retirement Fund 14**	**Miscellaneous Programs Fund 15**	**Adult Education Fund 17**
LIABILITIES, DEFERRED REVENUES & FUND EQUITY									
601 Interfund/Loan Payable to Other Funds	Credit								
606 Due to Other Funds	Credit								
611 Due to Other Governments	Credit	Yes			Yes	Yes		Yes	
620 Warrants Payable (closed to 101 cash) See Account 623	Credit	Yes	Yes	Yes	Yes		Yes	Yes	Yes
621 Accounts Payable	Credit	Yes	Yes		Yes	Yes	Yes	Yes	Yes
622 Judgments Payable – Current Portion Only	Credit								
623 Registered Warrants Payable	Credit	Yes	Yes	Yes	No	Yes	Yes	No	Yes
630 Contracts Payable – Current Portion Only	Credit	Yes	Yes	Yes	Yes				
650 Notes or Loans Payable – Current Portion Only	Credit	Yes							
656 Accrued Interest Payable – Current Portion Only	Credit	Yes	Yes	Yes					
660 Accrued Operating Expenses Payable	Credit	Yes	Yes						Yes
661 Accrued Salaries and Benefits	Credit	Yes	Yes						Yes
670 Payroll Deductions and Withholdings	Credit	Yes	Yes						Yes
680 Deferred Revenues	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
690 Deposits Payable	Credit								
BUDGETING/NOMINAL ACCOUNTS – CLOSED TO 970 UNRESERVED FUND BALANCE									
801 Appropriation (budgeted funds)	Credit	Yes	Yes	Yes		Yes	Yes		Yes

802 Expenditures/Other Uses	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
803 Encumbrances (budgeted funds)	Debit	Optional	Optional	Optional					Optional
890 Non-Budgeted Expenditures – GAAP Purposes (e.g.,leases)	Debit								
FUND EQUITY									
951 Reserve for Inventories	Credit								
953 Reserve for Encumbrances	Credit	Optional	Optional	Optional					Optional
961 Reserve for Operations (see definitions)	Credit	Yes	Yes				Yes		Yes
963 Reserve for Unused Protested Taxes	Credit	Yes							
964 Reserve for Unused Tax Audit Receipts	Credit	Yes							
970 Unreserved Fund Balance	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
972 Budgetary Fund Balance	Credit	Optional	Optional	Optional					Optional
980 Assets Held in Trust	Credit								

BALANCE SHEET ACCOUNTS		**GOVERNMENTAL FUNDS**									
		SPECIAL REVENUE FUNDS									
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND	**Normal or Usual Balance**	**Traffic Education Fund 18**	**Non Op Fund 19**	**Lease Rental Fund 20**	**Comp Absence Fund 21**	**Metal Mines Fund 24**	**Impact Aid Fund 26**	**Tech Fund 28**	**Flex Fund 29**	**Permanent Endowment Fund 45**	**Debt Service Fund 50**
TS AND OTHER DEBITS											
101 Cash	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
103 Petty Cash	Debit										
104 Change Cash	Debit										
105 Cash with Fiscal Agents	Debit										Yes
110 Investment Accounts Outside County Treasurer	Debit										
111 Investments	Debit	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes
112 Increases and Decreases in Fair Value of Investments											
113 Unamortized Discounts on Investments	Credit										
114 Interest Receivable on Investments	Debit	Yes	Yes	Yes	Yes	Yes		Yes	Yes	Yes	Yes
115 Accrued Interest on Investments Purchased	Debit										
120 Taxes Receivable – Real Property	Debit		Yes					Yes	Yes		Yes
129 Allowance for Uncollectible Taxes – Real Property	Credit		Yes					Yes	Yes		Yes
130 Taxes Receivable – Personal/Mobile Homes	Debit		Yes					Yes	Yes		Yes
139 Allowance for Uncollectible Taxes – Personal	Credit		Yes					Yes	Yes		Yes

140	Taxes Receivable – Other Taxes	Debit		Yes					Yes	Yes		Yes
149	Allowance for Uncollectible Taxes – Other Taxes	Credit		Yes					Yes	Yes		Yes
150	Taxes Receivable – Protested Taxes	Debit		Yes					Yes	Yes		Yes
159	Allowance for Uncollectible Taxes – Protested	Credit		Yes					Yes	Yes		Yes
160	Interfund/Loan Receivable from Other Funds	Debit										
170	Due from Other Funds	Debit										
180	Due from Other Governments	Debit										
190	Accounts Receivable	Debit	Yes		Yes							
199	Allowance for Uncollectible Accounts Receivable	Credit	Yes		Yes							
210	Bond Proceeds Receivable	Debit										
220	Inventories for Consumption – Materials and Supplies	Debit										
230	Inventories for Resale	Debit										
240	Prepaid Expenses	Debit										
250	Deposits	Debit										
	BUDGETING/NOMINAL ACCOUNTS – CLOSED TO 970 UNRESERVED FUND BALANCE											
401	Estimated Revenues (Budgeted Funds)	Debit		Yes					Yes	Yes		Yes
402	Revenues/Other Sources	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
490	Non-Budgeted Revenues–GAAP Purposes (e.g., leases)	Credit		Yes					Yes	Yes		Yes

BALANCE SHEET ACCOUNTS		**GOVERNMENTAL FUNDS**									
		SPECIAL REVENUE FUNDS									
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND	**Normal or Usual Balance**	**Traffic Education Fund 18**	**Non Op Fund 19**	**Lease Rental Fund 20**	**Comp Absence Fund 21**	**Metal Mines Fund 24**	**Impact Aid Fund 26**	**Tech Fund 28**	**Flex Fund 29**	**Permanent Endowment Fund 45**	**Debt Service Fund 50**
ABILITIES, DEFERRED REVENUES & FUND EQUITY											
601 Interfund/Loan Payable to Other Funds	Credit										
606 Due to Other Funds	Credit										
611 Due to Other Governments	Credit		Yes								

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

620	Warrants Payable (closed to 101 cash) See Account 623	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
621	Accounts Payable	Credit	Yes	Yes	Yes		Yes	Yes	Yes	Yes	Yes	Yes
622	Judgments Payable – Current Portion Only	Credit										
623	Registered Warrants Payable	Credit	No	Yes	No		No	No	No	No		No
630	Contracts Payable – Current Portion Only	Credit	Yes						Yes	Yes		Yes
640	Matured Bonds Payable	Credit										Yes
650	Notes or Loans Payable – Current Portion Only	Credit							Yes	Yes		Yes
655	Matured Interest Payable	Credit										
656	Accrued Interest Payable – Current Portion Only	Credit	Yes									
660	Accrued Operating Expenses Payable	Credit	Yes	Yes	Yes			Yes				
661	Accrued Salaries and Benefits	Credit	Yes	Yes	Yes	Yes		Yes				
670	Payroll Deductions and Withholdings	Credit	Yes	Yes	Yes	Yes		Yes				
680	Deferred Revenues	Credit		Yes					Yes	Yes		Yes
690	Deposits Payable	Credit			Yes							
	BUDGETING/NOMINAL ACCOUNTS – CLOSED TO 970 UNRESERVED FUND BALANCE											
801	Appropriation (budgeted funds)	Credit		Yes					Yes	Yes		Yes
802	Expenditures/Other Uses	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
803	Encumbrances (budgeted funds)	Debit		Optional								
890	Non-Budgeted Expenditures – GAAP Purposes (e.g.,leases)	Debit										
	FUND EQUITY											
951	Reserve for Inventories	Credit										
953	Reserve for Encumbrances	Credit		Optional								
961	Reserve for Operations (see definitions)	Credit										Yes
970	Unreserved Fund Balance	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
980	Assets Held in Trust	Credit									Yes	

BALANCE SHEET ACCOUNTS		**GOVT TYPE FUNDS**	**PROPRIETARY TYPE FUNDS**	
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND		**CAPITAL PROJ FUNDS**	**ENTERPRISE FUNDS**	**INTERNAL SERVICE FUNDS**

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

		Normal or Usual Balance	Building Fund 60	Building Reserve Fund 61	Day Care Fund 70	Industrial Arts Fund 71	Misc Enterprise Fund 72	Data Processing Fund 73	Purchasing Fund 74	Central Transport-Ation 75	Internal Service Fund 77	Self Ins Health Fund 78	Self Ins Liab 79
	'S AND OTHER DEBITS												
101	Cash	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
103	Petty Cash	Debit											
104	Change Cash	Debit			Yes								
105	Cash with Fiscal Agents	Debit										Yes	Yes
110	Investment Accounts Outside County Treasurer	Debit											
111	Investments	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
112	Increases and Decreases in Fair Value of Investments												
113	Unamortized Discounts on Investments	Credit											
114	Interest Receivable on Investments	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
115	Accrued Interest on Investments Purchased	Debit										Yes	Yes
120	Taxes Receivable – Real Property	Debit		Yes									
129	Allowance for Uncollectible Taxes – Real Property	Credit		Yes									
130	Taxes Receivable – Personal/Mobile Homes	Debit		Yes									
139	Allowance for Uncollectible Taxes – Personal	Credit		Yes									
140	Taxes Receivable – Other Taxes	Debit		Yes									
149	Allowance for Uncollectible Taxes – Other Taxes	Credit		Yes									
150	Taxes Receivable – Protested Taxes	Debit		Yes									
159	Allowance for Uncollectible Taxes – Protested	Credit		Yes									
160	Interfund/Loan Receivable from Other Funds	Debit											
170	Due from Other Funds	Debit					Yes	Yes	Yes	Yes	Yes		
180	Due from Other Governments	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes		
190	Accounts Receivable	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
199	Allowance for Uncollectible Accounts Receivable	Credit			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
210	Bond Proceeds Receivable	Debit	Yes										
220	Inventories for Consumption – Materials and Supplies	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
230	Inventories for Resale	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
240	Prepaid Expenses	Debit											
250	Deposits	Debit											
	FIXED ASSETS												
311	Land	Debit											

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

321	Land Improvements	Debit												
322	Allowance for Depreciation of Land Improvements	Credit												
331	Buildings and Building Improvements	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes			
332	Allowance for Depreciation of Bldgs & Bldg Improvements	Credit			Yes	Yes	Yes	Yes	Yes	Yes	Yes			
341	Machinery and Equipment	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes			
342	Allowance for Depreciation of Machinery and Equipment	Credit			Yes	Yes	Yes	Yes	Yes	Yes	Yes			
351	Construction in Progress (closed to 321 & 331 above)	Debit			Yes	Yes	Yes	Yes	Yes	Yes	Yes			

BALANCE SHEET ACCOUNTS			GOVT TYPE FUNDS		PROPRIETARY TYPE FUNDS								
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND			CAPITAL PROJ FUNDS		ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS					
		Normal or Usual Balance	Building Fund 60	Building Reserve Fund 61	Day Care Fund 70	Industrial Arts Fund 71	Misc Enterprise Fund 72	Data Processing Fund 73	Purchasing Fund 74	Central Transport-Ation 75	Internal Service Fund 77	Self Ins Health Fund 78	Self Ins Liab 79
BUDGETING/NOMINAL ACCOUNTS–CLOSED TO 970 UNRESERVED FUND BALANCE/940 RETAINED EARNINGS													
401	Estimated Revenues (Budgeted Funds)	Debit		Yes									
402	Revenues/Other Sources	Credit											
490	Non-Budgeted Revenues–GAAP Purposes (e.g., leases)	Credit											
LIABILITIES, DEFERRED REVENUES & FUND EQUITY													
601	Interfund/Loan Payable to Other Funds	Credit											
606	Due to Other Funds	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
611	Due to Other Governments	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
620	Warrants Payable (closed to 101 cash) See Account 623	Credit	No	Yes	No	No	No	No	No	No	No	No	No
621	Accounts Payable	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
623	Registered Warrants Payable	Credit	Yes	Yes									
630	Contracts Payable – Current Portion Only	Credit	Yes	Yes									
631	Construction Contracts Payable - Retained Percentage	Credit	Yes	Yes									
632	Construction Contracts – Other Payable	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
650	Notes and Loans Payable – Current Portion Only	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
656	Accrued Interest Payable – Current Portion Only	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
660	Accrued Operating Expenses Payable	Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
661	Accrued Salaries and Benefits	Credit	Yes	Yes									
670	Payroll Deductions and Withholdings	Credit	Yes	Yes					Yes				
680	Deferred Revenues	Credit		Yes									

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

690	Deposits Payable	Credit											
	LONG-TERM LIABILITIES												
720	Notes Payable	Credit			Yes	Yes	Yes	Yes	Yes	Yes			
730	Lease Obligations	Credit			Yes	Yes	Yes	Yes	Yes	Yes			
740	Contracts Payable	Credit			Yes	Yes	Yes	Yes	Yes	Yes			
	BUDGETING/NOMINAL ACCOUNTS–CLOSED TO 970 UNRESERVED FUND BALANCE/940 RETAINED EARNINGS												
801	Appropriation (budgeted funds)	Credit		Yes									
802	Expenditures	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
890	Non-Budgeted Expenditures – GAAP Purposes (e.g., leases)	Debit											
	FUND EQUITY												
921	Invested in Capital Assets, Net of Related Debt	Credit	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
930	Restricted Net Assets	Credit	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
940	Unrestricted Net Assets	Credit	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
961	Reserve for Operations (see definitions)	Credit	No	No	No	No	No	No	No	No	No	No	No
970	Unreserved Fund Balance	Credit	Yes	Yes	No	No	No	No	No	No	No	No	No

BALANCE SHEET ACCOUNTS		**FIDUCIARY TYPE FUNDS**									
		TRUST FUNDS				**AGENCY FUNDS**					
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND	**Normal or Usual Balance**	**Endowment Fund 81**	**Interlocal Agreement Fund 82**	**Student Extracurricular Activities 84**	**Miscellaneous Trust Fund 85**	**Payroll Fund 86**	**Claims Fund 87**	**Invest-ment Earnings Clearing 88**	**Retirement /COBRA Insurance Fund 89**	**Agency A-E 90-94**	**Cafeteria Fund 95**
ASSETS AND OTHER DEBITS											
101 Cash	Debit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
110 Investment Accounts Outside County Treasurer	Debit										
111 Investments	Debit	Yes	Yes			No	No	No	No		Yes
112 Increases/Decreases in Fair Value of Investments											
113 Unamortized Discounts on Investments	Credit										
114 Interest Receivable on Investments	Debit	Yes	Yes								
115 Accrued Interest on Investments Purchased	Debit										
160 Interfund/Loan Receivable from Other Funds	Debit										
170 Due from Other Funds	Debit										

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

180	Due from Other Governments	Debit										
190	Accounts Receivable	Debit										
199	Allowance for Uncollectible Accounts Receivable	Credit										
240	Prepaid Expenses	Debit										
250	Deposits	Debit										
	NOMINAL ACCOUNT											
	CLOSED TO 970 UNRESERVED FUND BALANCE 402 Revenues/Other Sources	Credit	Yes	Yes		Yes						
	LIABILITIES, DEFERRED REVENUES & FUND EQUITY							Yes				
601	Interfund/Loan Payable to Other Funds	Credit					Yes					
606	Due to Other Funds	Credit					Yes	Yes	Yes	Yes	Yes	Yes
611	Due to Other Governments	Credit					Yes	Yes				
620	Warrants Payable (closed to 101 Cash)	Credit	Yes	Yes		Yes	Yes	Yes	Yes	No	No	No
621	Accounts Payable	Credit		Yes	Yes					Yes	Yes	Yes
630	Contracts Payable – Current Portion Only	Credit										
650	Notes & Loans Payable – Current Portion Only	Credit										
656	Accrued Interest Payable - Current Portion Only	Credit										
660	Accrued Operating Expenses Payable	Credit										
661	Accrued Salaries and Benefits	Credit										
670	Payroll Deductions and Withholdings	Credit					Yes					
680	Deferred Revenues	Credit					No					
690	Deposits Payable	Credit										

BALANCE SHEET ACCOUNTS		**FIDUCIARY TYPE FUNDS**									
		TRUST FUNDS				**AGENCY FUNDS**					
YES INDICATES THIS ACCOUNT IS FREQUENTLY USED IN THIS FUND	**Normal or Usual Balance**	**Endowment Fund 81**	**Interlocal Agreement Fund 82**	**Student Extracurricular Activities 84**	**Miscellaneous Trust Fund 85**	**Payroll Fund 86**	**Claims Fund 87**	**Invest-ment Earnings Clearing 88**	**Retirement /COBRA Insurance Fund 89**	**Agency A-E 90-94**	**Cafeteria Fund 95**

3-0700.10 BALANCE SHEET ACCOUNT MATRIX

NOMINAL ACCOUNT											
CLOSED TO 970 UNRESERVED FUND BALANCE									No*		
802 Expenditures/Other Uses	Debit	Yes	Yes	Yes	Yes	No*	No*	No*		No*	No*
FUND EQUITY											
970 Unreserved Fund Balance	Credit					No*	No*	No*	No*	No*	No*
980 Assets Held in Trust	Credit	Yes	Yes	Yes	Yes						

*Revenue and expenditure accounts may be used in Agency Funds but are never reported. Revenues and expenditures normally equal. Differences are reported as a receivable or payable. Agency funds have no fund balance.

3-0720.10 OPERATING STATEMENT – EXPENDITURE PROGRAM MATRIX

EXPENDITURE PROGRAM		GOVERNMENTAL FUNDS							
			SPECIAL REVENUE FUNDS						
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND		General Fund 01	Transport-ation Fund 10	Bus Depreciation Fund 11	School Food Fund 12	Tuition Fund 13	Retirement Fund 14	Misc Programs Fund 15	Adult Education Fund 17
100 REGULAR EDUCATION PROGRAMS-ELEMENTARY/SECONDARY		Yes	Yes	Yes		Yes	Yes	Yes	
110 Kindergarten		Optional					Optional		
120 Elementary		Optional	Optional				Optional		
130 Middle School		Optional					Optional		
140 Junior High (grades 7 – 9)		Optional					Optional		
150 Secondary		Optional	Optional				Optional		
160 District-Wide		Optional		Optional			Optional		
170 Distance Learning		Optional					Optional		
180 Summer School		Optional					Optional		
SPECIAL PROGRAMS/STATE AND FEDERAL GRANTS									
210 Non-Federal Alternative Education		Yes					Yes	Yes	
260 Non-Grant Bilingual Education		Yes					Yes		
271 Aggregate of Reimb/Indirect Cost	State/Federal							Yes	
274 State Audiology Contracted Services							Yes	Yes	
280 Special Education – Local and State	State	Yes	Yes	Yes		Yes	Use 280	Yes	
325 Montana Digital Academy	State							Yes	
327 State Advancing Agriculture Education	State								
329 Miscellaneous State Grants	State							Yes	
360 Gifted & Talented Reimbursement	State						Yes	Yes	
361 Services for Significant Needs Students	State							Yes	
362 Adult Education Reimbursement	State							Yes	
365 OTO Indian Education for All (use for general fund IEA)	State	Yes						Yes	
366 OTO Capital Investment & Deferred Maintenance	State							Yes	
367 OTO Kindergarten Start-up	State							Yes	
368 K-12 Education Data Systems	State							Yes	
390 Career & Technical Education Entitlement	State							Yes	
391 Agriculture	State							Yes	
392 Business	State							Yes	
393 Health Occupations	State							Yes	
394 Home Economics	State							Yes	

395	Technology Education/Industrial Arts	State							Yes	
397	Trades and Industrial	State							Yes	
410	Miscellaneous Direct Federal Grants	Federal							Yes	
411	Head Start	Federal							Yes	
412	Title VI, Part B, Subpart 1, Small Rural Schools (SRS)	Federal							Yes	
413	Title VII Indian Education	Federal							Yes	
412	Johnson O'Malley Indian Education	Federal							Yes	
420	Title I, Part A, Improving Basic Programs	Federal							Yes	
421	Title I, Part A, Accountability	Federal							Yes	
422	Title I, Part A, Improvement Grants	Federal							Yes	
423	Title I, Part B, Subpart 1, Reading First	Federal							Yes	
424	Title I, Part B, Subpart 3, Even Start	Federal							Yes	
425	Title I, Part C, Migrant Education	Federal							Yes	
426	Title I, Part C, Migrant Incentive	Federal							Yes	
427	Title I, Part D, Neglected, Delinquent & At-Risk Youth	Federal							Yes	
428	Title I, Part F, Comprehensive School Reform	Federal							Yes	

EXPENDITURE PROGRAM			GOVERNMENTAL FUNDS							
				SPECIAL REVENUE FUNDS						
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND			General Fund 01	Transport-ation Fund 10	Bus Depreciation Fund 11	School Food Fund 12	Tuition Fund 13	Retirement Fund 14	Misc Programs Fund 15	Adult Education Fund 17
429	Title I, Part G, Advanced Placement	Federal							Yes	
430	Title II, Part A, Teacher & Principal Training & Recruiting	Federal							Yes	
431	Title II, Part D, Educational Technology	Federal							Yes	
432	Title III, Part A, English Language Acquisition and Language Enhancement	Federal							Yes	
433	Title IV, Part A, Safe & Drug-Free Schools & Communities	Federal							Yes	
434	Title IV, Part B, 21st Century Community Learning Centers	Federal							Yes	
435	Title V, Part A, Innovative Programs	Federal							Yes	
436	Title V, Part D, Subpart 3, Character Education	Federal							Yes	
437	Title VI, Part B, Subpart 2, Rural Low-Income Schools	Federal							Yes	
438	Title X, Part C, Education of Homeless Children & Youth	Federal							Yes	
439	Title I, Part G, School Improvement	Federal							Yes	
451	Carl Perkins (Federal Vo-Ed) – Basic Grant	Federal							Yes	
452	Carl Perkins (Federal Vo-Ed) – Competitive	Federal							Yes	
453	Adult Basic Education TANF	Federal							Yes	

3-0720.10 OPERATING STATEMENT – EXPENDITURE PROGRAM MATRIX

454	Adult Basic Literacy Education (ABLE)	Federal							Yes	
455	School Foods Mini Grants	Federal							Yes	
456	IDEA, Part B, Children with Disabilities	Federal							Yes	
457	IDEA Preschool	Federal							Yes	
458	IDEA State Program Improvement	Federal							Yes	
459	IDEA Early Intervening	Federal							Yes	
460	Fresh Fruit & Vegetables Program	Federal							Yes	
465	Federal Misc. Grants from OPI	Federal							Yes	
470	Misc. Federal Grants from Other State Agencies	Federal							Yes	
471	GEAR UP	Federal							Yes	
472	Carl Perkins (Federal Vo-Ed) – Tech Prep	Federal							Yes	
473	Public Health Emergency Preparedness	Federal							Yes	
482	Title VIII Impact Aid 8007(b) Construction	Federal							Yes	
494	Title I ESEA Schoolwide Program	Federal							Yes	

EXPENDITURE PROGRAM	**GOVERNMENTAL FUNDS**							
		SPECIAL REVENUE FUNDS						
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND	**General Fund 01**	**Transport-ation Fund 10**	**Bus Depreciation Fund 11**	**School Food Fund 12**	**Tuition Fund 13**	**Retirement Fund 14**	**Misc Programs Fund 15**	**Adult Education Fund 17**

3-0720.10 OPERATING STATEMENT – EXPENDITURE PROGRAM MATRIX

ADULT EDUCATION PROGRAMS									
610	Adult/Continuing Education (Adult Basic Education)	District							
							Use 610	No	Yes
650	Adult Basic Education	Dist/Fedl/State					Use 650	Yes	No
657	Federal Job Training and Partnership Act Grant		Yes				Yes	Yes	
EXTRACURRICULAR PROGRAMS									
710	School Sponsored Extracurricular Activities		Yes				Yes		
720	School Sponsored Extracurricular Athletics		Yes				Yes		
COMMUNITY SERVICE PROGRAM									
810	Community Recreation						Yes		
820	Civic Services						Yes		
830	Public Library Services						Yes		
840	Custody and Child Care Service						Yes		
850	Welfare Activities						Yes		
860	Community Drug Free Programs						Yes		
890	Other Community Services						Yes	Yes	
ENTERPRISE PROGRAMS									
910	School Food Services		Yes				Yes		
920	Other Enterprise/Internal Service Programs					Yes			

EXPENDITURE PROGRAM	GOVERNMENTAL FUNDS									
	SPECIAL REVENUE FUNDS									
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND	Traffic Educ. Fund 18	Non-Oper. Fund 19	Lease Rental Fund 20	Comp Absence Fund 21	Metal Mines Fund 24	Impact Aid Fund 26	Tech-nology Fund 28	Flex-ibility Fund 29	Perm. Endow. Fund 45	Debt Service Fund 50
100 REGULAR EDUCATION PROGRAMS-ELEMENTARY/SECONDARY	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
110 Kindergarten										
120 Elementary										
130 Middle School										
140 Junior High (grades 7 – 9)										
150 Secondary										
160 District-Wide										
170 Distance Learning										
180 Summer School	Yes									
SPECIAL PROGRAMS										
280 Special Education – Local and State				Yes	Yes	Yes	Yes	Yes	Yes	No
300 – 399 STATE GRANTS				**Yes**		**Yes**				
400 – 499 FEDERAL GRANTS				**Yes**		**Yes**				
610 – 659 ADULT EDUCATION PROGRAMS				**Yes**		**Yes**				
EXTRACURRICULAR PROGRAMS										
710 School Sponsored Extracurricular Activities				Yes		Yes				
720 School Sponsored Extracurricular Athletics				Yes		Yes				
810 – 890 COMMUNITY SERVICE PROGRAM				**Yes**	**Yes**	**Yes**				
ENTERPRISE PROGRAMS										
910 School Food Services				Yes	Yes	Yes				

920 Other Enterprise/Internal Service Programs				Yes	Yes	Yes				

EXPENDITURE PROGRAM	GOVT'L FUNDS		PROPRIETARY TYPE FUNDS							
	CAPITAL PROJ FUNDS		ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS				
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND	Building Fund 60	Bldg Resrv Fund 61	Day Care Fund 70	Indus. Arts Fund 71	Misc. Enterp. Fund 72	Data Proc. Fund 73	Purch-asing Fund 74	Central Transp. Fund 75	Internal Service Fund 77	Self Insur. Fund 78
100 REGULAR EDUCATION PROGRAMS-ELEMENTARY/SECONDARY	**Yes**	**Yes**								
110 Kindergarten										
120 Elementary										
130 Middle School										
140 Junior High (grades 7 – 9)										
150 Secondary										
160 District-Wide										
170 Distance Learning										
180 Summer School										
SPECIAL PROGRAMS										
280 Special Education – Local and State	Yes	Yes								

3-0720.10 OPERATING STATEMENT – EXPENDITURE PROGRAM MATRIX

300 – 399 STATE GRANTS											
400 – 499 FEDERAL GRANTS											
610 – 659 ADULT EDUCATION PROGRAMS											
EXTRACURRICULAR PROGRAMS											
710 School Sponsored Extracurricular Activities	720	School Sponsored Extracurricular Athletics			Yes						
810 – 890 COMMUNITY SERVICE PROGRAM											
ENTERPRISE PROGRAMS											
910 School Food Services											
920 Other Enterprise/Internal Service Programs						Yes	Yes	Yes	Yes	Yes	Yes	Yes

EXPENDITURE PROGRAM	FIDUCIARY TYPE FUNDS			
	TRUST FUNDS			
YES INDICATES THIS PROGRAM IS FREQUENTLY USED IN THIS FUND	Private Purpose Trust Fund 81	Interlocal Agreement Fund 82	Student Activity Fund 84	Miscellaneous Private Purpose Trust Fund 85
100 REGULAR EDUCATION PROGRAMS-ELEMENTARY/SECONDARY	**Yes**	**Yes**		**Yes**
110 Kindergarten				
120 Elementary				
130 Middle School				
140 Junior High (grades 7 – 9)				

3-0720.10 OPERATING STATEMENT – EXPENDITURE PROGRAM MATRIX

150	Secondary				
160	District-Wide				
170	Distance Learning				
180	Summer School				
SPECIAL PROGRAMS					
280	Special Education – Local and State	Yes	Yes		Yes
300 – 399 STATE GRANTS					
400 – 499 FEDERAL GRANTS					
				Yes	
610 – 659 ADULT EDUCATION PROGRAMS					
EXTRACURRICULAR PROGRAMS					
710	School Sponsored Extracurricular Activities				
720	School Sponsored Extracurricular Athletics			Yes	
810 – 890 COMMUNITY SERVICE PROGRAM					
810	Community Recreation	Yes	Yes		Yes
820	Civic Services		Yes		Yes
830	Public Library Services		Yes	Yes	Yes
840	Custody and Child Care Services		Yes		Yes
850	Welfare Activities		Yes		Yes
860	Community Drug Free Programs		Yes		Yes
ENTERPRISE PROGRAMS					
910	School Food Services				

3-0730.10 OPERATING STATEMENT – EXPENDITURE FUNCTION MATRIX

EXPENDITURE FUNCTION		GOVERNMENTAL FUNDS							
ICATES THIS FUNCTION IS FREQUENTLY USED IN THIS			SPECIAL REVENUE FUNDS						
FUND		General Fund 01	Transportation Fund 10	Bus Depreciation Fund 11	School Food Fund 12	Tuition Fund 13	Retirement Fund 14	Miscellaneous Programs Fund 15	Adult Education Fund 17
1XXX	Instruction	Yes				Yes	Yes	Yes	Yes
21XX	Support Services – Students	Yes					Yes	Yes	Yes
221X	Support Services – Instructional Staff	Yes					Yes	Yes	Yes
222X	Support Services – Educational Media Services	Yes					Yes	Yes	Yes
23XX	Support Services – General Administration	Yes	Yes				Yes	Yes	
24XX	Support Services – School Administration	Yes	Yes				Yes	Yes	
25XX	Support Services – Business Services	Yes	Yes				Yes	Yes	
26XX	Support Services – Operation & Maintenance of Plant	Yes	Yes				Yes	Yes	
27XX	Support Services – Student Transportation	Yes	Yes	Yes			Yes	Yes	
31XX	Non-Educational Services – Food Services	Yes			Yes		Yes		
32XX	Non-Educational Services – Other Enterprise Services	Yes							
33XX	Non-Educational Services – Community Services	Yes	Yes						
34XX	Non-Educational Services – Extracurricular Activities	Yes		Yes			Yes		
35XX	Non-Educational Services – Extracurricular Athletics	Yes		Yes			Yes		
4XXX	Facilities Acquisitions	Yes							

3-0730.10 OPERATING STATEMENT – EXPENDITURE FUNCTION MATRIX

5XXX	Debt Service	Yes							
6XXX	Other Financing Uses (see definitions for additional functions)	Yes							

EXPENDITURE FUNCTION		GOVERNMENTAL FUNDS								
	ICATES THIS FUNCTION IS FREQUENTLY USED IN THIS	SPECIAL REVENUE FUNDS								
FUND		Traffic Education Fund 18	Non-Operating Fund 19	Lease Rental Fund 20	Comp Absences Fund 21	Metal Mines Fund 24	Impact Aid Fund 26	Technology Fund 28	Flexibility Fund 29	Permanent Endowment Fund 45
1XXX	Instruction	Yes			Yes	Yes	Yes	Yes	Yes	Yes
21XX	Support Services – Students				Yes	Yes	Yes			
221X	Support Services – Instructional Staff				Yes	Yes	Yes			
2213	Support Services – Instructional Staff Development	Yes				Yes	Yes	Yes	Yes	Yes
222X	Support Services – Educational Media Services				Yes	Yes	Yes			
23XX	Support Services – General Administration				Yes	Yes	Yes			
24XX	Support Services – School Administration				Yes	Yes	Yes			
25XX	Support Services – Business Services		Yes		Yes	Yes	Yes			
26XX	Support Services – Operation & Maintenance of Plant	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
27XX	Support Services – Student Transportation		Yes		Yes	Yes	Yes			
31XX	Non-Educational Services – Food Services				Yes	Yes	Yes			
32XX	Non-Educational Services – Other Enterprise Services					Yes	Yes			

3-0730.10 OPERATING STATEMENT – EXPENDITURE FUNCTION MATRIX

33XX	Non-Educational Services – Community Services					Yes	Yes				
34XX	Non-Educational Services – Extracurricular Activities				Yes	Yes	Yes				
35XX	Non-Educational Services – Extracurricular Athletics				Yes	Yes	Yes				
4XXX	Facilities Acquisitions					Yes					
5XXX	Debt Service										
6XXX	Other Financing Uses (see definitions for additional functions)										

EXPENDITURE FUNCTION		GOV'TL FUNDS		PROPRIETARY TYPE FUNDS							
	ICATES THIS FUNCTION IS FREQUENTLY USED IN THIS	CAPITAL PR0JECT FUNDS		ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS				
FUND		Building Fund 60	Building Reserve Fund 61	Day Care Fund 70	Industrial Arts Fund 71	Misc. Enterprise Fund 72	Data Processing Fund 73	Purch-asing Fund 74	Internal Service Fund 77	Self Ins Health 78	Self Ins Liab 79
1XXX	Instruction	Yes	Yes								
21XX	Support Services – Students										
221X	Support Services – Instructional Staff										
222X	Support Services – Educational Media Services										
23XX	Support Services – General Administration										
24XX	Support Services – School Administration										

3-0730.10 OPERATING STATEMENT – EXPENDITURE FUNCTION MATRIX

25XX	Support Services – Business Services										
26XX	Support Services – Operation & Maintenance of Plant										
27XX	Support Services – Student Transportation	Yes									
31XX	Non-Educational Services – Food Services										
32XX	Non-Educational Services – Other Enterprise Services			Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
33XX	Non-Educational Services – Community Services										
34XX	Non-Educational Services – Extracurricular Activities										
35XX	Non-Educational Services – Extracurricular Athletics										
4XXX	Facilities Acquisitions	Yes	Yes								
5XXX	Debt Service										
6XXX	Other Financing Uses (see definitions for additional functions)										

EXPENDITURE FUNCTION	FIDUCIARY TYPES FUNDS			
	TRUST FUNDS			
YES INDICATES THIS FUNCTION IS FREQUENTLY USED IN THIS FUND	Private Purpose Trust Fund 81	Inter-Local Agreement Fund 82	Student Activity Fund 84	Misc. Private Purpose Trust Fund 85
1XXX Instruction	Yes	Yes		

3-0730.10 OPERATING STATEMENT – EXPENDITURE FUNCTION MATRIX

21XX	Support Services – Students	Yes	Yes		
221X	Support Services – Instructional Staff		Yes		
222X	Support Services – Educational Media Services		Yes		
23XX	Support Services – General Administration		Yes		
24XX	Support Services – School Administration		Yes		
25XX	Support Services – Business Services		Yes		
26XX	Support Services – Operation & Maintenance of Plant		Yes		
27XX	Support Services – Student Transportation		Yes		
31XX	Non-Educational Services – Food Services		Yes		
32XX	Non-Educational Services – Other Enterprise Services		Yes		
33XX	Non-Educational Services – Community Services	Yes	Yes		Yes
34XX	Non-Educational Services – Extracurricular Activities	Yes	Yes	Yes	
35XX	Non-Educational Services – Extracurricular Athletics	Yes	Yes	Yes	
4XXX	Facilities Acquisitions	Yes			
5XXX	Debt Service				
6XXX	Other Financing Uses (see definitions for additional functions)				

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

OBJECT			FUNCTION						
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND X = see definitions for additional object accounts	Mandatory Reporting & Budgeting Level	Mandatory Accounting Level	Instruction	SUPPORT SERVICES					
			Instruction 1000	Students 2100	Instructional Staff 2210	Educational Media 2220	General Admin 2300	School Admin 2400	Business Admin 2500
100 PERSONNEL SERVICES - SALARIES 110 Regular Salaries	**100**							*	
111 Office/Administrative – Certified		111	No	No	No	No	Yes	Yes	Yes
112 Professional – Educational/Certified		112	Yes				No	No	No
113 Professional – Other/Certified		113	Yes	Yes	Yes	Yes	No	No	No
114 Custodial		114	No	No	No	No	No	No	No
115 Clerical/Technology		115	Yes	Yes	Yes	Yes	Yes	Yes	Yes
116 Cooks/Service Work		116	No	No	No	No	No	No	No
117 Aides – Instructional/Support Services		117	Yes	Yes	Yes	Yes	No	No	No
118 Bus Drivers		118	No	No	No	No	No	No	No
119 Other Supervisory Salaries		119	No	No	No	No	Yes	Yes	Yes
12X Temporary Salaries		12X	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13X Overtime		13X							
14X Sabbatical Leave		14X	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15X Stipends		15X							
160 Sick Leave Termination Pay		160	Yes	Yes	Yes	Yes	Yes	Yes	Yes
170 Vacation Leave Termination Pay		170	Yes	Yes	Yes	Yes	Yes	Yes	Yes
180 Bonuses		180	Yes	Yes	Yes	Yes	Yes	Yes	Yes
200 PERSONNEL SERVICES – EMPLOYEE BENEFITS	**200**								
210 Social Security/Medicare		210	Yes	Yes	Yes	Yes	Yes	Yes	Yes
220 Contribution, TRS		220	Yes	Yes	Yes	Yes	Yes	Yes	Yes
230 Contribution, PERS		230	Yes	Yes	Yes	Yes	Yes	Yes	Yes
240 Contribution, Unemployment		240	Yes	Yes	Yes	Yes	Yes	Yes	Yes
250 Workers Compensation		250	Yes	Yes	Yes	Yes	Yes	Yes	Yes
260 Health Insurance		260	Yes	Yes	Yes	Yes	Yes	Yes	Yes
270 Life and Disability Insurance		270	Yes	Yes	Yes	Yes	Yes	Yes	Yes
280 Other Employee Benefits		280	Yes	Yes	Yes	Yes	Yes	Yes	Yes

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

300 PURCHASED PROFESSIONAL AND TECHNICAL SERVICES		**300**								
310	Office/Administrative Services		310	No	No	No	No	Yes	Yes	Yes
320	Professional – Educational Services		320	Yes	Yes	Yes	Yes	No	No	No
321	Prof – Ed Services – Distance Learning		321	Yes				No	No	No
330	Other Professional Services		330					Yes	Yes	Yes
340	Technical Services		340	Yes	Yes	Yes	Yes	Yes	Yes	Yes
350	Contracted Services with Other Districts		350	Yes	Yes	Yes	Yes	Yes	Yes	Yes
351	Other District Within State		351	Yes	Yes	Yes				
352	Other District Outside State		352	Yes	Yes	Yes				
354	Contracted Services w/ Other Cooperatives		354	Yes	Yes	Yes				

***Special Education and Other Program Directors and Full-Time Department Chairpersons should be coded to function 2490 (see definitions for functions 1000 & 2490).**

3-0740-1

OBJECT			FUNCTION						
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**	**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**Instruction**	**SUPPORT SERVICES**					
			Instruction 1000	**Students 2100**	**Instructional Staff 2210**	**Educational Media 2220**	**General Admin 2300**	**School Admin 2400**	**Business Admin 2500**
400 PURCHASED PROPERTY SERVICES	**400**								
410 Energy Utility Services		410	No	No	No	No	No	No	No
411 Gas		411	No	No	No	No	No	No	No
412 Electricity		412	No	No	No	No	No	No	No
420 Other Utility Services		420	No	No	No	No	No	No	No
421 Water/Sewer		421	No	No	No	No	No	No	No
430 Cleaning Services		430	No	No	No	No	No	No	No
431 Disposal Services		431	No	No	No	No	No	No	No
432 Snow Plow Services		432	No	No	No	No	No	No	No
433 Custodial Services		433	No	No	No	No	No	No	No

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

440	Repair and Maintenance Services		440	Yes	Yes	Yes	Yes	Yes	Yes	Yes
450	Rental		450							
451	Rental of Land and Buildings		451							
452	Rental of Equipment and Vehicles		452	Yes	Yes	Yes	Yes	Yes	Yes	Yes
460	Minor Construction Services (see 725)		460	No	No	No	No	No	No	No
500	**OTHER PURCHASED SERVICES**	**500**								
510	Student Transportation Services		510	No	No	No	No	No	No	No
511	Transportation From Another SD Within State		511	No	No	No	No	No	No	No
512	Transportation From Another SD Outside State		512	No	No	No	No	No	No	No
513	Contracted Services, Private Bus Contractors		513	No	No	No	No	No	No	No
514	Individual Transportation Contracts		514	No	No	No	No	No	No	No
515	Contingency-New Students to School Districts		515	No	No	No	No	No	No	No
516	Field Trips		516	Yes	No	No	No	No	No	No
520	Insurance-Property, Casualty and Liability		520	No	No	No	No	Yes	No	No
530	Communication Services		530					Yes	Yes	Yes
531	Telephone		531					Yes	Yes	Yes
532	Postage		532					Yes	Yes	Yes
540	Advertising		540					Yes	Yes	Yes
545	Recruitment		545					Yes		
550	Printing, Binding and Duplication		550	Yes	Yes	Yes	Yes	Yes	Yes	Yes
561	Tuition – In State	561	561	Yes	No	No	No	No	No	No
562	Tuition – Out of State	562	562	Yes	No	No	No	No	No	No
563	Educational Fees to Detention Facilities	563	563	Yes	No	No	No	No	No	No
570	Contracted School Food Services		570	Yes	No	No	No	No	No	No
581	In-District Travel		581	No	Yes					
582	Out of District Travel		582		No	Yes	No	Yes	Yes	Yes
590	Miscellaneous Purchased Services		590							
591	Miscellaneous Service Purchased Locally									
594	Student Room and Board – In State		594					No	No	No
595	Student Room and Board – Out of State		595					No	No	No

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

OBJECT				FUNCTION						
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND X = see definitions for additional object accounts		Mandatory Reporting & Budgeting Level	Mandatory Accounting Level	Instruction	SUPPORT SERVICES					
				Instruction 1000	Students 2100	Instructional Staff 2210	Educational Media 2220	General Admin 2300	School Admin 2400	Business Admin 2500
600	**SUPPLIES AND MATERIALS**	**600**								
610	Supplies		610	Yes	Yes	Yes	Yes	Yes	Yes	Yes
615	Replacement Supplies and Parts		615	Yes	Yes	Yes	Yes	Yes	Yes	Yes
620	Energy Supplies		620							
621	Bottled Gas		621	No	No	No	No	No	No	No
622	Oil		622	No	No	No	No	No	No	No
623	Coal		623	No	No	No	No	No	No	No
624	Vehicle and Equipment Fuel		624	No	No	No	No	No	No	No
630	Food		630	Yes						
640	Textbooks, Library Books and Resource Books		640	Yes	No	No	No	No	No	No
650	Periodicals		650	Yes	Yes	Yes	Yes	Yes	Yes	Yes
660	Minor Equipment – New		660	Yes	Yes	Yes	Yes	Yes	Yes	Yes
670	Minor Equipment – Replacement		670	Yes	Yes	Yes	Yes	Yes	Yes	Yes
681	Computer Software		681	Yes	Yes	Yes	Yes	Yes	Yes	Yes
682	Media Software		682	Yes						
700	**OPERTY AND EQUIPMENT ACQUISITION**									
PR 710	Land – Acquisition	710	710	No	No	No	No	No	No	No
715	Land – Improvements	715	715	No	No	No	No	No	No	No
720	Buildings – Acquisition	720	720	No	No	No	No	No	No	No
725	Major Construction Services	725	725							
73X	Major Equipment – New	730	73X	Yes	Yes	Yes	Yes	Yes	Yes	Yes
74X	Major Equipment – Replacement	740	74X	Yes	Yes	Yes	Yes	Yes	Yes	No
750	Depreciation	750	750							
780	Computer Hardware	780	780	Yes	Yes	Yes	Yes	Yes	Yes	Yes
800	**HER**									
OT 810	Due and Fees	810	810	Yes	Yes	Yes	Yes	Yes	Yes	Yes
820	Judgment Against the School District	820	820	No	No	No	No	Yes	No	No
830	Special Assessments	830	830	No	No	No	No	Yes	No	No
840	Principal on Debt	840	840	No	No	No	No	No	No	No

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

850	Interest on Debt	850	850	No	No	No	No	No	No	No
860	Agent Fees	860	860	No	No	No	No	No	No	No
870	Student Scholarships	870	870	No	No	No	No	No	No	No
880	Other Vo-Ed Costs	880	880	No	No	No	No	No	No	No
ADJUSTMENTS TO BEGINNING FUND BALANCE										
892	Prior Period Expenditure Adjustments	892	892	Yes	Yes	Yes	Yes	Yes	Yes	Yes
900 OTHER USES OF FUNDS										
910	Operating Transfers to Other Funds	910	910	No	No	No	No	No	No	No
920	Resources Transfer'd to Other District or Coops	920	920	No	No	No	No	No	No	No
930	Federal or State Grant Resources Transferred	930	930	No	No	No	No	No	No	No
940	Indirect Costs	940	940	No	No	No	No	No	No	No

OBJECT				**FUNCTION**				
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**		**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**SUPPORT SERVICES**		**NON-EDUCATIONAL SERVICES**		
				Operations & Maintenance of Plant 2600	**Student Transportation 2700**	**Food 3100**	**Other Enterprise Services 3200**	**Community Services 3300**
100 PERSONNEL SERVICES - SALARIES		**100**						
110	Regular Salaries							
111	Office/Administrative – Certified		111	No	Yes		No	No
112	Professional – Educational/Certified		112	No	No	No	No	
113	Professional – Other/Certified		113	No	No	No	No	
114	Custodial		114	Yes				
115	Clerical/Technology		115					Yes
116	Cooks/Service Work		116	No	No	Yes	Yes	No
117	Aides – Instructional/Support Services		117	No	Yes	No	No	No
118	Bus Drivers		118	No	Yes	No	Yes	Yes
119	Other Supervisory Salaries		119	Yes	Yes	Yes	Yes	Yes
12X	Temporary Salaries		12X	Yes	Yes	Yes	Yes	Yes
13X	Overtime		13X	Yes	Yes	Yes	Yes	
14X	Sabbatical Leave		14X					
15X	Stipends		15X					
160	Sick Leave Termination Pay		160	Yes	Yes	Yes	Yes	Yes
170	Vacation Leave Termination Pay		170	Yes	Yes	Yes	Yes	Yes

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

180	Bonuses		180					
200 PERSONNEL SERVICES – EMPLOYEE BENEFITS		**200**						
210	Social Security/Medicare		210	Yes	Yes	Yes	Yes	Yes
220	Contribution, TRS		220	Yes	Yes	Yes	Yes	Yes
230	Contribution, PERS		230	Yes	Yes	Yes	Yes	Yes
240	Contribution, Unemployment		240	Yes	Yes	Yes	Yes	Yes
250	Workers Compensation		250	Yes	Yes	Yes	Yes	Yes
260	Health Insurance		260	Yes	Yes	Yes	Yes	Yes
270	Life and Disability Insurance		270	Yes	Yes	Yes	Yes	Yes
280	Other Employee Benefits		280	Yes	Yes	Yes	Yes	Yes
300 PURCHASED PROFESSIONAL AND TECHNICAL SERVICES		**300**						
310	Office/Administrative Services		310	No	No	No	No	No
320	Professional – Educational Services		320	No	No*	No	No	No
321	Prof – Ed Services – Distance Learning		321	No	No	No	Yes	Yes
330	Other Professional Services		330	Yes		Yes	Yes	Yes
340	Technical Services		340	Yes		Yes		
350	Contracted Services with Other Districts		350		*Correspondence			
351	Other District Within State		351		Courses in			
352	Other District Outside State		352		Fund 10 use			
354	Contracted Services w/ Other Cooperatives		354		Function 2700			

OBJECT			FUNCTION				
			SUPPORT SERVICES		NON-EDUCATIONAL SERVICES		
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**	**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**Operations & Maintenance of Plant 2600**	**Student Transportation 2700**	**Food 3100**	**Other Enterprise Services 3200**	**Community Services 3300**
400 PURCHASED PROPERTY SERVICES	**400**						
410 Energy Utility Services		410	Yes				
411 Gas		411	Yes				
412 Electricity		412					
420 Other Utility Services							

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

421	Water/Sewer		421	Yes				
430	Cleaning Services		430	Yes				
431	Disposal Services		431	Yes				
432	Snow Plow Services		432	Yes				
433	Custodial Services		433	Yes				
440	Repair and Maintenance Services		440	Yes	Yes	Yes	Yes	Yes
450	Rental		450	Yes				
451	Rental of Land and Buildings		451	Yes				
452	Rental of Equipment and Vehicles		452	Yes	Yes	Yes	Yes	Yes
460	Minor Construction Services (see 725)		460	Yes				
500	**OTHER PURCHASED SERVICES**	**500**						
510	Student Transportation Services		510	No	Yes			
511	Transportation From Another SD Within State		511	No	Yes			
512	Transportation From Another SD Outside State		512	No	Yes			
513	Contracted Services, Private Bus Contractors		513	No	Yes			
514	Individual Transportation Contracts		514	No	Yes			
515	Contingency-New Students to School Districts		515	No	Yes			
516	Field Trips		516	No				
520	Insurance-Property, Casualty and Liability		520	Yes	Yes			
530	Communication Services		530					
531	Telephone		531					
532	Postage		532					
540	Advertising		540					
545	Recruitment		545					
550	Printing, Binding and Duplication		550	No				
561	Tuition – In State	561	561	No	No	No	No	No
562	Tuition – Out of State	562	562	No	No	No	No	No
563	Educational Fees to Detention Facilities	563	563	No	No	No	No	No
570	Contracted School Food Services		570	No	No	Yes	No	No
581	In-District Travel		581	Yes	Yes	Yes	Yes	Yes
582	Out of District Travel		582	Yes	Yes	Yes		
590	Miscellaneous Purchased Services		590					
591	Miscellaneous Service Purchased Locally		591	No	Yes	No	No	No

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

594	Student Room and Board – In State		594					
595	Student Room and Board – Out of State		595	No	Yes	No	No	No

OBJECT				FUNCTION				
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND X = see definitions for additional object accounts		Mandatory Reporting & Budgeting Level	Mandatory Accounting Level	SUPPORT SERVICES		NON-EDUCATIONAL SERVICES		
				Operations & Maintenance of Plant 2600	Student Transportation 2700	Food 3100	Other Enterprise Services 3200	Community Services 3300
600 SUPPLIES AND MATERIALS		**600**						
610	Supplies		610	Yes	Yes	Yes	Yes	Yes
615	Replacement Supplies and Parts		615	Yes	Yes	Yes	Yes	Yes
620	Energy Supplies		620	Yes				
621	Bottled Gas		621	Yes				
622	Oil		622	Yes				
623	Coal		623	Yes				
624	Vehicle and Equipment Fuel		624	Yes	Yes	Yes	Yes	Yes
630	Food		630	No	No	Yes	No	
640	Textbooks, Library Books and Resource Books		640	Yes	Yes	Yes	Yes	Yes
650	Periodicals		650	Yes	Yes	Yes	Yes	Yes
660	Minor Equipment – New		660	Yes	Yes	Yes	Yes	Yes
670	Minor Equipment – Replacement		670	Yes	Yes	Yes	Yes	Yes
681	Computer Software		681	Yes	Yes	Yes	Yes	Yes
682	Media Software		682					
700	**ERTY AND EQUIPMENT ACQUISITION**							
PRO 710	Land – Acquisition	710	710	No	No	No	No	No
715	Land – Improvements	715	715	No	No	No	No	No
720	Buildings – Acquisition	720	720	No	No	No	No	No
725	Major Construction Services	725	725		No	No	No	No
73X	Major Equipment – New	730	73X		Yes			
74X	Major Equipment – Replacement	740	74X		Yes			
750	Depreciation	750	750	No	No	Yes*	Yes*	Yes*
780	Computer Hardware	780	780	Yes	Yes	Yes	Yes	Yes
800 OTHER								

*** Proprietary Fund Types Only**

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

810	Due and Fees	810	810		Yes	Yes	Yes	
820	Judgment Against the School District	820	820	No	No		No	No
830	Special Assessments	830	830	No	No	No	No	No
840	Principal on Debt	840	840	No	No	No	No	No
850	Interest on Debt	850	850	No	No	No	No	No
860	Agent Fees	860	860	No	No	No	No	No
870	Student Scholarships	870	870	No	No	No	No	No
880	Other Vo-Ed Costs	880	880	No	No	No	No	No
ADJUSTMENTS TO BEGINNING FUND BALANCE								
892	Prior Period Expenditure Adjustments	892	892	Yes	Yes	Yes	Yes	Yes
900	**OTHER USES OF FUNDS**							
910	Operating Transfers to Other Funds	910	910	No	No	No	No	No
920	Resources Transfer'd to Other District or Coops	920	920	No	No	No	No	No
930	Federal or State Grant Resources Transferred	930	930	No	No	No	No	No
940	Indirect Costs	940	940	No	No	No	No	No

OBJECT				**FUNCTION**					
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**		**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**NON-EDUCATIONAL SERVICES**					
				Extracurricular Activities 3400*	**Extracurricular Athletics 3500**	**Facilities Acquisition 4000**	**Debt Service 5000**	**Operating Transfers 6100**	**Resource Transfers 6200**
100	**PERSONNEL SERVICES - SALARIES**	**100**							
110	Regular Salaries								
111	Office/Administrative – Certified		111	No	No				
112	Professional – Educational/Certified		112	No	No				
113	Professional – Other/Certified		113	No	No				
114	Custodial		114						
115	Clerical/Technology		115	No	No				
116	Cooks/Service Work		116	No	No				
117	Aides – Instructional/Support Services		117	No	No				
118	Bus Drivers		118	Yes	Yes				
119	Other Supervisory Salaries		119	Yes	Yes				
12X	Temporary Salaries		12X	Yes	Yes				
13X	Overtime		13X	Yes	Yes				
14X	Sabbatical Leave		14X						

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

15X	Stipends		15X	Yes	Yes				
160	Sick Leave Termination Pay		160						
170	Vacation Leave Termination Pay		170						
180	Bonuses		180						
200 PERSONNEL SERVICES – EMPLOYEE BENEFITS		**200**							
210	Social Security/Medicare		210	Yes	Yes				
220	Contribution, TRS		220	Yes	Yes				
230	Contribution, PERS		230	Yes	Yes				
240	Contribution, Unemployment		240	Yes	Yes				
250	Workers Compensation		250	Yes	Yes				
260	Health Insurance		260						
270	Life and Disability Insurance		270						
280	Other Employee Benefits		280						
300 PURCHASED PROFESSIONAL AND TECHNICAL SERVICES		**300**							
310	Office/Administrative Services		310	No	No				
320	Professional – Educational Services		320	No	No				
321	Prof – Ed Services – Distance Learning		321	No	No				
330	Other Professional Services		330						
340	Technical Services		340						
350	Contracted Services with Other Districts		350						
351	Other District Within State		351						
352	Other District Outside State		352						
354	Contracted Services w/ Other Cooperatives		354						

***Do not include Athletics.**

OBJECT			FUNCTION					
			NON-EDUCATIONAL SERVICES					
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**	**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**Extracurricular Activities 3400***	**Extracurricular Athletics 3500**	**Facilities Acquisition 4000**	**Debt Service 5000**	**Operating Transfers 6100**	**Resource Transfers 6200**
400 PURCHASED PROPERTY SERVICES	**400**							

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

410	Energy Utility Services		410	No	No				
411	Gas		411	No	No				
412	Electricity		412	No	No				
420	Other Utility Services		420	No	No				
421	Water/Sewer		421	No	No				
430	Cleaning Services		430	No	No				
431	Disposal Services		431	No	No				
432	Snow Plow Services		432	No	No				
433	Custodial Services		433	No	No				
440	Repair and Maintenance Services		440	Yes	Yes				
450	Rental		450	Yes	Yes				
451	Rental of Land and Buildings		451						
452	Rental of Equipment and Vehicles		452	Yes	Yes				
460	Minor Construction Services (see 725)		460	No	No				
500	**OTHER PURCHASED SERVICES**	**500**							
510	Student Transportation Services		510	No	No				
511	Transportation From Another SD Within State		511	No	No				
512	Transportation From Another SD Outside State		512	No	No				
513	Contracted Services, Private Bus Contractors		513	No	No				
514	Individual Transportation Contracts		514	No	No				
515	Contingency-New Students to School Districts		515	No	No				
516	Field Trips		516						
520	Insurance-Property, Casualty and Liability		520	Yes	Yes				
530	Communication Services		530						
531	Telephone		531	Yes	Yes				
532	Postage		532						
540	Advertising		540						
545	Recruitment		545						
550	Printing, Binding and Duplication		550	Yes	Yes				
561	Tuition – In State	561	561	No	No				
562	Tuition – Out of State	562	562	No	No				
563	Educational Fees to Detention Facilities	563	563	Yes	Yes				

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

570	Contracted School Food Services		570	Yes	Yes				
581	In-District Travel		581	Yes	Yes				
582	Out of District Travel		582	Yes	Yes				
590	Miscellaneous Purchased Services		590						
591	Miscellaneous Service Purchased Locally		591						
594	Student Room and Board – In State		594	No	No				
595	Student Room and Board – Out of State		595	No	No				

*** Do not include Athletics.**

OBJECT				FUNCTION					
YES INDICATES THIS OBJECT IS FREQUENTLY USED IN THIS FUND **X = see definitions for additional object accounts**		**Mandatory Reporting & Budgeting Level**	**Mandatory Accounting Level**	**NON-EDUCATIONAL SERVICES**					
				Extracurricular Activities 3400*	**Extracurricular Athletics 3500**	**Facilities Acquisition 4000**	**Debt Service 5000**	**Operating Transfers 6100**	**Resource Transfers 6200**
600	**SUPPLIES AND MATERIALS**	**600**							
610	Supplies		610						
615	Replacement Supplies and Parts		615	No	No				
620	Energy Supplies		620	No	No				
621	Bottled Gas		621	No	No				
622	Oil		622						
623	Coal		623	No	No				
624	Vehicle and Equipment Fuel		624	No	No				
630	Food		630	No	No				
640	Textbooks, Library Books and Resource Books		640	Yes	Yes				
650	Periodicals		650	Yes	Yes				
660	Minor Equipment – New		660	Yes	Yes				
670	Minor Equipment – Replacement		670	Yes	Yes				
681	Computer Software		681						
682	Media Software		682	Yes	Yes				
700	**PROPERTY AND EQUIPMENT ACQUISITION**								
710	Land – Acquisition	710	710	No	No	Yes			
715	Land – Improvements	715	715	No	No	Yes			

3-0740.10 OPERATING STATEMENT – EXPENDITURE OBJECT MATRIX

720	Buildings – Acquisition	720	720	No	No	Yes			
725	Major Construction Services	725	725	No	No	Yes			
73X	Major Equipment – New	730	73X	Yes	Yes	Yes			
74X	Major Equipment – Replacement	740	74X	Yes	Yes	Yes			
750	Depreciation	750	750	No	No	No			
780	Computer Hardware	780	780	Yes	Yes	Yes			
800 OTH R									
810	Due and Fees	810	810	Yes	Yes				
820	Judgment Against the School District	820	820	No	No		Yes		
830	Special Assessments	830	830	No	No		Yes		
840	Principal on Debt	840	840	No	No		Yes		
850	Interest on Debt	850	850	No	No		Yes		
860	Agent Fees	860	860	No	No		Yes		
870	Student Scholarships	870	870	No	No				
880	Other Vo-Ed Costs	880	880	No	No				
ADJUSTMENTS TO BEGINNING FUND BALANCE 892									
	Prior Period Expenditure Adjustments	892	892	Yes	Yes	Yes			
900 OTHER USES OF FUNDS									
910	Operating Transfers to Other Funds	910	910					Yes	
920	Resources Transfer'd to Other District or Coops	920	920					No	Yes
930	Federal or State Grant Resources Transferred	930	930					No	Yes
940	Indirect Costs	940	940						Yes

***Do not include Athletics.**

5-0120.00 STATEMENT OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

In 1979, NCGA set forth twelve (12) basic principles of accounting and financial reporting in Statement 1, Governmental Accounting and Financial Reporting Principles and subsequent pronouncements by GASB. The principles established in Statement 1 and subsequent pronouncements by GASB are considered generally accepted accounting principles (GAAP) for governmental units by the AICPA and the Association of School Business Officials of the U.S. and Canada (ASBO).

The accounting, budgeting and financial reporting principles for Montana school districts presented in this manual are based on the principles detailed in Statement 1 and subsequent pronouncements by GASB.

Adoption of the accounting principles described here will: (a) Provide uniformity in the presentation and comparison of financial data; and (b) Provide reliable financial information to local school boards, county superintendents, the Montana Legislature, and the Office of Public Instruction as a basis for program evaluation and budgetary planning.

The thirteen (13) generally accepted accounting principles for school districts and other governmental units are outlined below:

1. Accounting and Reporting Capabilities
2. Fund Accounting Systems
3. Type of Funds
4. Number of Funds
5. Reporting Fixed Assets
6. Valuation of Fixed Assets
7. Depreciation of Fixed Assets
8. Reporting Long-Term Liabilities
9. Measurement Focus and Basis of Accounting in the Basic Financial Statements
10. Budgeting, Budgetary Control, and Budgetary Reporting
11. Transfer, Revenue, Expenditure, and Expense Account Classification
12. Common Terminology and Classification
13. Interim and Annual Financial Reports

5-0130.00 EXPLANATION OF GAAP PRINCIPLES

The thirteen (13) GAAP principles are explained below:

5-0130.01 ACCOUNTING AND REPORTING CAPABILITIES

A school district accounting system must make it possible both: (a) To present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the school district in conformity with generally accepted accounting principles; and (b) To determine and demonstrate compliance with finance-related legal and contractual provisions.

Adherence to GAAP standards ensures financial information will be based on consistent measurement and classification criteria. Information will be comparable between districts and between years within the same district.

A school district may maintain the accounting system on the cash basis during the year, however all adjusting entries required to convert the system to the modified accrual or full accrual basis of accounting must be recorded prior to the year-end closing of accounts.

All school districts will be required to prepare internal financial reports for the Office of Public Instruction. Annual financial statements for presentation to external users based on GAAP may be issued at the discretion of each school district. All school districts will follow Montana audit requirements and the Single Audit Act as described in Section 9-0300.00 of the School Accounting Manual.

5-0130.02 FUND ACCOUNTING SYSTEMS

A school district accounting system should be organized and operated on a fund basis.

A **"fund"** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Each fund must be accounted for such that its resources, obligations, revenues and expenditures or expenses, and fund equities are segregated (not physically, but in accounting treatment) from other funds.

5-0130.03 TYPES OF FUNDS

Montana school districts will use the following fund types and account groups:

Governmental Funds a. General Fund
b. Special Revenue Funds
c. Permanent Funds
d. Debt Service Funds
e. Capital Projects Funds

Proprietary Funds
e. Enterprise Funds
f. Internal Service Funds

Fiduciary Funds
g. Trust and Agency Funds

Accountability Schedules
h. Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA)
i. Schedule of Changes in Long-Term Liabilities (SCLTL) The funds and accountability schedules are explained below:

GOVERNMENTAL FUNDS

General Fund is used to account for all financial resources except those specifically required by law to be accounted for in another fund.

01 General Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Budgeted Special Revenue Funds:

10 Transportation Fund
11 Bus Depreciation Reserve Fund
13 Tuition Fund
14 Retirement Fund
17 Adult Education Fund
19 Nonoperating
28 Technology Fund
29 Flexibility Fund

5-0130.03 TYPES OF FUNDS (Cont'd)

Nonbudgeted Special Revenue Funds:

12	School Foods Fund
15	Miscellaneous Programs Fund
18	Traffic Education
20	Lease-Rental Fund
21	Compensated Absence Fund
24	Metal Mines Tax Reserve Fund
25	Mining Impact Fund
26	Impact Aid Fund
27	Litigation Reserve Fund

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for district operations.

45	Permanent Endowment Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general longterm debt principal and interest.

50	Debt Service Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and Trust Funds).

60	Building Fund
61	Building Reserve Fund

PROPRIETARY FUNDS

(Note: Proper accounting and financial reporting for proprietary operations requires increased technical accounting knowledge. If proprietary and nonexpendable trust fund types must be used, the district may consult the Office of Public Instruction for assistance.)

Enterprise Funds are used to account for operations: (1) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

70	Day Care
71	Industrial Arts Fund
72	Enterprise (Miscellaneous)

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

73	Data Processing Fund
74	Purchasing Fund
75	Central Transportation Fund
76	Instructional Material Fund
77	Miscellaneous Internal Service Fund
78	Self Insurance Fund - Health
79	Self Insurance Fund - Liability

5-0130.03 TYPES OF FUNDS (Cont'd)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (1) Pension Trust Funds, (2) Investment Trust Funds, (3) Private Purpose Trust Funds, and (4) Agency Funds. Trust Funds

81	Private Purpose Trust Fund (Non-expendable)
82	Interlocal Agreement/Special Education Cooperative
83	Investment Trust Fund
84	Extracurricular Fund
85	Trust-Miscellaneous (Expendable)

Agency Funds

86	Payroll Clearing Fund
87	Claims Clearing Fund
88	Investment Earnings Clearing Fund
89	Retirees' Insurance Fund (COBRA)
90-94	Agency A B C D E Funds
95	Cafeteria/Flex Plan (125 Plans)

ACCOUNTABILITY SCHEDULES

Used to account for and control general fixed assets and unmatured principal of general long-term debt.

Schedule of Changes in Fixed Assets (SCFA)
Schedule of Changes in Long Term Liablities (SCLTL)

5-0130.04 NUMBER OF FUNDS

A school district should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

5-0130.05 REPORTING FIXED ASSETS

Fixed assets related to specific proprietary funds or Trust Funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for on the Schedule of Changes in Fixed Assets worksheet (SCFA).

5-0130.06 VALUATION OF FIXED ASSETS

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair market value at the time received.

5-0130.07 DEPRECIATION OF FIXED ASSETS

a. Depreciation of general fixed assets is recorded on the SCFA.

b. Depreciation of fixed assets accounted for in proprietary funds and private purpose trust funds should be recorded in the accounts of those funds. Depreciation is also recognized in those Trust Funds where expenses, net income, and/or capital maintenance are measured.

5-0130.08 REPORTING LONG-TERM LIABILITIES

Long-term liabilities of proprietary funds and Trust Funds should be accounted for through those funds. All other unmatured general long-term liabilities of the governmental unit should be accounted on the Schedule of Changes in Long-Term Liabilities worksheet (SCLTL).

General long-term debt is not limited to bonds, warrants, notes, etc. It also includes long-term authority rentals, lease-purchase agreements, installment purchase contracts, judgements and claims, and accumulated unpaid vacation, sick leave and employee benefit amounts payable upon termination. Notes to the financial statements should disclose principal and interest debt service requirements to maturity, initial dates of obligation, original amounts, interest rates, and details concerning assets pledged as collateral.

5-0130.09 MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of Accounting

The modified accrual or accrual basis of accounting, as appropriate, should be utilized in measuring financial position and operating results.

a. Modified Accrual Basis

Governmental Funds should use the modified accrual basis of accounting. Revenues should be recorded in the accounting period in which they become measurable and available. Measurable means the amount can be determined or reasonably estimated. Available means the revenue will be received within 60 days after the fiscal year end. Expenditures for personal property should be recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should generally be recorded when due. Transfers should be recorded in the accounting period in which the interfund receivable and payable arise.

For budgetary purposes, if a district has encumbrances outstanding at fiscal year end which meet specific criteria set by law, the district may record these outstanding obligations as expenditures and create a fund equity Reserve for Encumbrances. The reserve will be reported on the balance sheet. GAAP expenditures do not include encumbrance items.

b. Accrual Basis

Proprietary and Fiduciary Funds should use the accrual basis of accounting. Revenues should be recognized in the accounting period in which they are earned and become measurable; expenses should be recognized in the period incurred, if measurable. Transfers should be recognized in the accounting period in which the interfund receivable and payable arise.

Measurement Focus

Measurement focus is commonly used to describe the types of transactions and events that are reported in a fund's operating statement.

a. Current Financial Resources

Governemental funds use the current financial resources measurement focus of accounting. Transactions and events that have increased or decreased resources available for spending in the near future, even though they have no effect on net assets, are reported on the governmental funds operating statements. Examples include the issuance of debt, debt service principal payments and capital outlay.

b. Economic Resources

Proprietary funds and trust funds use the economic resources focus of accounting. Transactions and events that have increased or decreased a fund's net assets during the period (e.g. revenues, expenses, gains and losses), are reported on the proprietary and trust find financial statements. Net assets (total assets minus total liabilities) are used as a measure of economic resources.

Transactions that do not affect net assets are not reported on the fund's operating statement. Examples include the issuance of debt, debt service principal payments and capital outlay.

5-0130.10 BUDGETING, BUDGETARY CONTROL, AND BUDGETARY REPORTING

An annual budget should be adopted by every school district. State law requires formal budgets be approved for the General Fund (01), Transportation Fund (10), Bus Depreciation Reserve Fund (11), Tuition Fund (13), Retirement Fund (14), Adult Education Fund (17), Nonoperating Fund (19), Technology Fund (28), Flexibility Fund (29), Debt Service Fund (50), and Building Reserve Fund (61). A district may budget other funds if needed.

"Budgetary accounting" is encouraged, although not required. The accounting system should provide the basis for appropriate budgetary control.

Financial statements and schedules for governmental funds for which an annual budget has been adopted should include comparisons between budgeted and actual activities of the funds.

5-0130.11 TRANSFER, REVENUE, EXPENDITURE, & EXPENSE ACCOUNT CLASSIFICATION

Interfund transfers and proceeds of general long-term debt issues should be classified separately from fund revenues and expenditures or expenses.

Revenues should be recorded on accounting records by fund and source. Expenditures should be recorded by fund, program, function, and object of expenditure.

Proprietary fund revenues and expenses should be classified in essentially the same manner as those of similar business organizations, functions, or activities.

5-0130.12 COMMON TERMINOLOGY AND CLASSIFICATION

A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

5-0130.13 INTERIM AND ANNUAL FINANCIAL REPORTS

Appropriate interim financial statements and reports of financial position, operating results, and other pertinent information should be prepared to facilitate management control of financial operations, legislative oversight, and, where necessary or desired, for external reporting purposes.

According to GASB Statement 1, a comprehensive annual financial report (CAFR) covering all funds of the school district--including a statement of net assets; statement of activities; balance sheets for major funds; statement of revenues, expenditures, and changes in fund balances for major funds; appropriate combined, combining, and individual fund statements; notes to the financial statements; schedules; narrative explanations; and statistical tables--should be prepared and published by each governmental unit. Preparation of an annual CAFR is encouraged but not required for Montana school districts.

School districts that meet thresholds requiring an audit (see section 9-0300.30) must prepare financial statements required by GASB 34 for audit report purposes.

5-0200.00 REVENUES AND RECEIVABLES

5-0210.00 INTRODUCTION

5-0210.10 DEFINITIONS

"Modified Accrual" is the process of recording revenues when measurable and available, regardless of whether cash has been received. Accrual of revenue generally causes increases to be recorded in **revenue** accounts with corresponding increases recorded in **receivable** accounts.

"Accrued Revenues" are financial resources applicable to the current accounting period but which will not be received in cash until a subsequent accounting period.

"Deferred Revenues" are: 1) Amounts which should be recorded as receivables, but which do not meet criteria for revenue recognition as discussed in section 5-0210.20; and 2) Material amounts received prior to normal time of receipt. For example, property taxes or other revenues collected in advance of the fiscal year to which they apply should be recorded as deferred revenues until recognized as revenue of the period to which they apply.

"Cash Basis" is a method of accounting in which revenues are recorded only when cash is received and expenditures are recorded only when cash is paid.

5-0210.20 BASIC ACCOUNTING PROCEDURES

GAAP requires that revenues of governmental trust fund types be recorded in an accounting period if "measurable" and "available" to finance current operations. This is the modified accrual basis of accounting.

> **"Measurable"** means the amount of revenue is known or can be reasonably estimated.
>
> **"Available"** means the revenue is expected to be received in cash in the current period or soon enough thereafter to pay liabilities of the current period. Revenue received in cash by June 30 or expected to be received in July or August is considered available at fiscal year-end.

School districts may keep records on a cash basis throughout the year, but appropriate entries must be made at fiscal year end to adjust the accounting records to the modified accrual basis. Most financial activity of the school district will occur in the governmental fund types, to which the modified accrual basis applies. For that reason, the accounting entries for revenues shown in this section of the manual assume the modified accrual basis is used.

GAAP requires that revenues of proprietary and private purpose trust funds be recorded in an accounting period if "measurable." This is the accrual basis of accounting.

5-0220.00 PROPERTY TAX REVENUES

5-0220.10 BASIC ACCOUNTING PROCEDURES

A. Collected Taxes

Property taxes are usually a major source of a school district's revenues. Normally taxes are recorded as revenues upon receipt of the County Treasurer's monthly report. Accounting entries are recorded which increase the cash account and revenue accounts in the same amount (cash basis of accounting).

B. Uncollected Taxes

According to GAAP, uncollected taxes which are due by the end of the fiscal year and expected to be received within 60 days after June 30th may be recorded as revenues. However, due to the difficulty estimating the amount of uncollected taxes which will be received 60 days after the end of the fiscal year, **the recommended procedure for Montana schools will be to record all uncollected taxes at the end of the fiscal year as deferred revenues.** School districts are not required to record financial activity relating to taxes receivable on a monthly basis.

5-0220.20 TAXES RECEIVABLE

Taxes receivable are uncollected taxes. The amount of taxes receivable or uncollected taxes will be reported to the school district by the county treasurer at the end of the fiscal year. Real estate taxes may be delinquent or unpaid for three years while personal property taxes may be delinquent or unpaid for up to five years. If taxes are not paid within the legal time limits, the property is sold with proceeds distributed to the school district as if the taxes had been paid.

School districts will record the amounts of taxes receivable reported by the county treasurer at June 30th as deferred revenue as shown in section 5-0220.30, “RECORDING PROPERTY TAXES.”

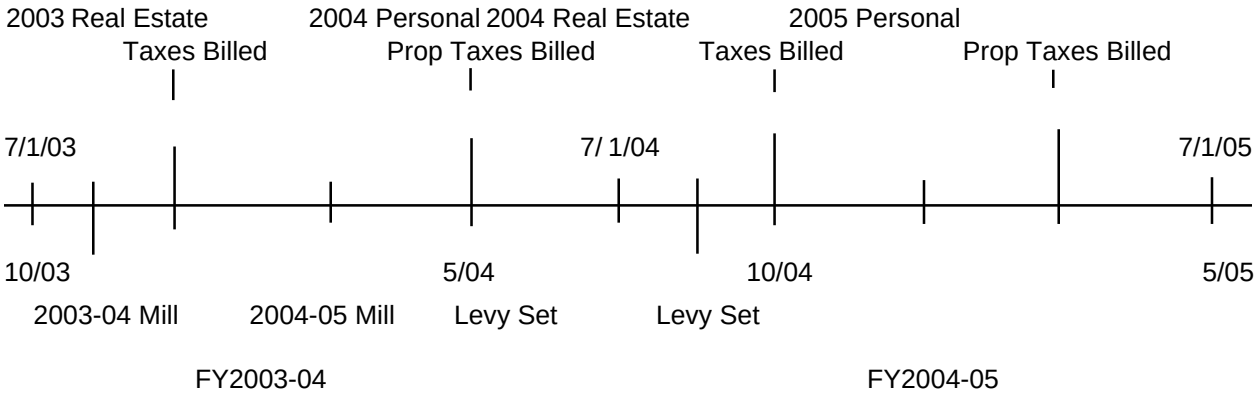
5-0220.21 DISTRIBUTION OF TAXES RECEIVABLE

Some county treasurers will report to the districts the total amount of taxes receivable on a district wide basis rather than on a fund by fund basis. In these cases, the school district clerk will distribute the total of taxes receivable for the district to each of the respective funds based on tax levies.

Real estate taxes are billed by the county in November and May. The taxes collected are normally distributed monthly to each taxing jurisdiction based on the number of mills levied by that entity.

5-0220.21 DISTRIBUTION OF TAXES RECEIVABLE (cont’d)

This illustration shows how the 2 types of taxes are distributed using the most recent mill levies:



As shown in the illustration:

2004 Real Estate Taxes (Billed 10/2004) — Distribute using **2004-05** Mill Levies

2005 Personal Property Taxes (Billed 5/2005) — Distribute using **2004-05** Mill Levies

Protested taxes receivable should be distributed to funds based on the same levies which would apply if the taxes were not protested. If the county treasurer’s report does not show the composition of the protested taxes receivable amount at June 30, the district should contact the treasurer’s office to determine the amount of taxes protested by year and type.

For example, assume that, taxes receivable on June 30th as reported by the county treasurer are:

2004 Personal Property Taxes Receivable $100,000 2004 Real Estate Taxes Receivable $100,000
2003 Protested Real Estate Taxes Receivable $100,000

2004 PERSONALS	03-04 LEVY	% OF TOTAL	AMT PER CO TREAS	DISTR. TO FUNDS
GENERAL	50.00	.87		$ 87,000
TRANSPORTATION	2.00	.04	$ 4,000	
DEBT SERVICE	5.00	.09	$ 9,000	
2004 PERSONALS	57.00	1.00	$100,000	$100,000

2004 REALS	04-05 LEVY	% OF TOTAL	AMT PER CO TREAS	DISTR. TO FUNDS
GENERAL	60.00	.90		$ 90,000
TRANSPORTATION	2.00	.03	$ 3,000	
DEBT SERVICE	5.00	.07	$ 7,000	
2004 REALS	67.00	1.00	$100,000	$100,000

5-0220.21 DISTRIBUTION OF TAXES RECEIVABLE (cont'd)

2003 REALS PROTESTED	03-04 LEVY	% OF TOTAL	AMT PER CO TREAS	DISTRIBUTION TO FUNDS
GENERAL	50.00	.87		$87,000
TRANSPORTATION	2.00	.04		$4,000
DEBT SERVICE	5.00	.09		$9,000
2003 REALS PROTESTED	57.00	1.00	$100,000	$100,000

5-0220.30 RECORDING PROPERTY TAXES

The following journal entries show a simple method of accounting for property tax revenue. Record taxes as revenue when collected during the year and record taxes receivable as deferred revenues at fiscal year-end. Alternatively, districts may record tax revenues using other accounting procedures which produce the same yearend result (i.e. revenues will equal taxes collected and deferred revenues related to taxes will equal taxes receivable).

When current year taxes are levied, no entry is necessary.

To record the current or delinquent net taxes collected and reported monthly by the county treasurer:
Debit: 101 Cash
Credit: 402 Revenues
Revenue Subsidiary Ledger
XXX-1110 through 1190 Any appropriate tax revenue source (To record taxes collected.)

At fiscal year-end, to record taxes receivable: Taxes receivable as of June 30 will be reported to the district by the county treasurer on the June report. Record this entry in each levied fund.
Debit: 120 Taxes Receivable - Real $ 90,000
Debit: 130 Taxes Receivable - Personal/Mobile Homes $ 87,000 Debit: 140 Taxes Receivable - Other Taxes $ 3,000 Debit: 150 Taxes Receivable - Protested $ 85,000 Credit: 680 Deferred Revenues $ 265,000

(To record taxes receivable reported by the county treasurer at June 30th as deferred revenue.)

The entry to record taxes receivable is required only at year-end. It results in proper balances on the accounting records for taxes receivable (asset) and deferred revenue (treated as a liability) for financial reporting on the Trustees' Financial Summary and financial statements. (NOTE: Balance sheet accounts 129, 139, 149, and 159 Allowance for Uncollectible Taxes are now required under GASB 34.)

At the beginning of the next fiscal year: Reverse the previous entry so the taxes receivable and related deferred revenue accounts have a zero balance.
Debit: 680 Deferred Revenues $265,000 Credit: 120 Taxes Receivable - Real $ 90,000
Credit: 130 Taxes Receivable - Personal/Mobile Homes $ 87,000 Credit: 140 Taxes Receivable - Other Taxes $ 3,000 Credit: 150 Taxes Receivable - Protested $ 85,000
(To reverse the entry made the previous June 30 to record taxes receivable and deferred revenues.)

5-0220.30 RECORDING PROPERTY TAXES (cont'd)

The entry to reverse the taxes receivable from the accounting records reduces the taxes receivable balance to zero on the district's books. **The district is not required to account for the subsequent changes in taxes receivable during the year.** The district will record the taxes receivable balance only at fiscal year-end using the balances reported to the district by the June county treasurer's report for that year. **At the beginning of each fiscal year, reverse the taxes receivable balances recorded at the previous fiscal year-end.**

5-0220.40 TAX REFUNDS

Occasionally, taxes are refunded to taxpayers due to mistakes in assessments, appraisals, or other reasons. Montana law also provides that any illegally collected tax be refunded to the taxpayer. Tax refunds are usually made by the county treasurer upon the proper authorization from the County Tax Appeal Board or the Department of Revenue.

When taxes are refunded, the county treasurer's monthly collection report will show a decrease in cash and a decrease in tax revenue. Although cash has been paid out, tax refunds should not be recorded as expenditures. **A tax refund is a revenue abatement (i.e., reduction of revenue), not an expenditure.**

Tax refunds are usually small in amount and immaterial compared to the total tax revenue collected. The usual practice is to record the amount of **net taxes collected** (normal tax collections less tax refunds) reported by the county treasurer as revenue. Consequently, no special accounting entries are necessary and the clerk will record the net taxes collected as shown in 5-0220.30 above.

However, if the tax refund is a material amount and relates to taxes collected in a prior fiscal year, GAAP require the amount be reported on the financial statements as a prior year adjustment to beginning fund balance. To determine whether or not a tax refund is material, check to see if the amount of the refund is 5% or more of the anticipated ending fund balance of the affected fund. The school district should also consult its auditor to determine if the refund is material.

If the tax refund is material and relates to a prior fiscal year, the amount should be recorded in revenue account 6100-Material Prior Period Revenue Adjustments and reported as a prior period adjustment to beginning fund balance on the Trustees' Annual Financial Summary and financial statements presented in accordance with
GAAP. This will assure that the tax refund will not distort the amount of tax revenue reported for the current year.

5-0220.50 PROTESTED TAXES

Taxes paid under protest are held in the County Protested Tax Fund and are not usually distributed to a school district until a court judgement is made. The county treasurer transfers the amount of the taxes paid under protest from the regular taxes receivable account to the protested taxes receivable account. This indicates that the taxes are due from the County Protested Tax Fund rather than the taxpayer.

Normally, school districts will record the amount of protested taxes receivable reported by the county treasurer at June 30th as deferred revenue as shown in section 5-0220.30.

5-0220.60 PROTESTED TAX SETTLEMENTS BY JUNE 30

In certain cases the district will learn of **material** court judgements on protested taxes (e.g., Burlington Northern protests) which will result in a substantial distribution of taxes to the district. If the ruling occurs before June 30, the district should accrue or record the amount of the distribution as revenue in the current year IF the amount is either known or can be reasonably estimated AND if the district expects to receive the distribution soon enough after June 30 to pay the liabilities of the current year (i.e., within approximately 60 days). Note that immaterial settlements of protested taxes will be recorded as revenue along with other tax distributions when received. **The following procedure is for material settlements before June 30 which have not been received in cash by June 30.**

At fiscal year-end, to record taxes receivable: Record the amount shown as taxes receivable on the county treasurer's June report as deferred revenue. The amount of protested taxes receivable which has been settled and will be distributed to the district in the next fiscal year should be recorded as taxes receivable and revenue. The settlement amount is considered measurable and available. For example, assume the taxes receivable in the General Fund are as follows: Real Property Taxes Receivable $45,000; Personal Property Taxes Receivable $37,000; Protested Taxes Receivable $20,000. The settlement on June 26 was $12,000 and is expected to be received by the district in July or August.

General Fund (01)

Debit:	120	Taxes Receivable-Real	$45,000
Debit:	130	Taxes Receivable-Personal/Mobile Home	$37,000
Debit:	150	Taxes Receivable-Protested	$20,000
Credit:	680	Deferred Revenue	$90,000
Credit:	402	Revenue	$12,000

Revenue Subsidiary Ledger

X01-1117	District Levy--Distribution of Prior Year's Taxes	$12,000

(To record the year-end taxes receivable and the material settlement of protested taxes. If penalties and interest are included in the settlement, record them under revenue source 1190. Revenue source 1117 is for material settlements only; if immaterial delinquent and protested taxes are collected during the year, record them as revenue under source 1110.)

In the next fiscal year, to reverse the deferral of revenue for taxes receivable: Reverse a portion of the entry above.

General Fund (01)

Debit: 680 Deferred Revenue $90,000 Credit: 120 Taxes Receivable-Real $45,000

Credit: 130 Taxes Receivable-Personal/Mobile Home $37,000 Credit: 150 Taxes Receivable-Protested $ 8,000

(To reverse deferred revenue recorded for taxes receivable. The portion of protested taxes receivable recorded as revenue in the previous year remains in the 150 account until collected as shown in the next entry.)

To record the receipt when the settlement is received early in the next fiscal year:

Debit: 101 Cash $12,000 Credit: 150 Protested Taxes Receivable $12,000

(To record actual distribution of a favorable protested tax settlement. No entry was made to revenue since the amount was recorded as revenue in the previous fiscal year.)

5-0220.70 JOINT DISTRICT TAXES

A "joint district" has district boundaries that encompass more than one county. Portions of the joint district's taxes are collected by each county. Frequently, non-located counties send the district's June collections to the located county in July. If the amount is known or can be reasonably estimated, the district should accrue or record this revenue. Assume on July 8th, Non-located County B sent $10,000 to Located County A for the district's property taxes collected in June.

At fiscal year-end, record accrued June taxes from a non-located county remitted in July:

Debit:	120	Taxes Receivable - Real	$10,000
Credit:	402	Revenue	$10,000
Revenue Subsidiary Ledger			
XXX-1110 through 1190		Any appropriate tax revenue source	

(To record accrual of taxes from non-located counties for June remitted in July.)

To record the receipt when the taxes are received in July (next fiscal year):

Debit: 101 Cash $10,000 Credit: 120 Taxes Receivable - Real $10,000
(To record receipt of taxes from non-located counties that were collected in June.)

5-0230.00 NON-TAX REVENUES

5-0230.10 BASIC ACCOUNTING PROCEDURES

Non-tax revenues for school districts include, but are not limited to, Federal and state grants, state payments, direct state aid, lunch ticket sales, and miscellaneous district collections. Telephone and electric cooperative refunds, or "capital credits," should be accounted for as an expenditure refund if received in the same year the expenditure is made. See Topic 5-0350.20 for more information.

The following journal entries show the suggested method for recording revenues from sources other than property taxes. Revenues are usually recorded when the county treasurer's monthly report is received. At year-end, the district must adjust revenues of governmental type funds to the modified accrual basis. Alternatively, districts may record non-tax revenues during the year using another method which produces the same year-end results in the accounts as the method shown here.

5-0230.20 RECORDING NON-TAX REVENUES

Journal entries for general non-tax revenues are shown below. Entries for specific types of non-tax revenues are shown in later sections. See Topic 5-0250.00.

To record non-tax revenues reported by the county treasurer:

Debit:	101	Cash
Credit:	402	Revenues
Revenue Subsidiary Ledger		
XXX-1310 through 6100		Any appropriate revenue source

(To record cash receipt of non-tax revenues. This entry assumes the revenue was not previously recorded as a receivable.)

At fiscal year-end, to "accrue" revenues which meet the measurable and available criteria in section 5-0210.20, "BASIC ACCOUNTING PROCEDURES"):

Debit:	170, 180, 190, etc.	Any Current Receivable
Credit:	420	Revenues

Revenue Subsidiary Ledger
XXX-1310 through 6100 Any appropriate revenue source
(To accrue non-tax revenue and the related receivable at fiscal year end.)

Receipt of non-tax revenue previously recorded as receivable:
Debit: 101 Cash
Credit: 170, 180, 190, etc. Any Current Receivable
(To record receipt of receivables recorded in the previous fiscal year. This entry would be needed either when cash is received during the year for a receivable recorded in the current year or when cash is received in the next year for items you recorded as accounts receivable and revenue in a previous year's accrual entry.)

5-0240.00 REVENUES FROM FEDERAL AND STATE GRANTS

For Federal and state grants, the district should record revenue in the fiscal year in which expenditures are recorded. Project reporter numbers should be used when recording revenues and expenditures of federal and state grants.

There are two ways the grantor may distribute grant money to district grantees. Normally, grants received by school districts in Montana are distributed in advance of grant expenditures. Other grants may require the district to claim reimbursement for grant expenditures.

During the year, school districts normally record revenues upon receipt of the county treasurer's monthly report. However, if the treasurer's monthly report is late, districts should record grant revenues upon receipt of notification from OPI or other grantor that a grant payment has been sent to the county treasurer. This procedure may be necessary to ensure the district will be able to file federal and state financial reports on a timely basis. **5-0240.00 REVENUES FROM FEDERAL AND STATE GRANTS (cont'd)**

Districts may record grant revenue when cash is received and adjust grant revenues at fiscal year-end to equal the grant expenditures recorded in the current fiscal year. At year-end, the district will either have expended an amount for which it anticipates the grantor will reimburse the district, or will have received funds which will not be expended until the next fiscal year. Districts should record revenue for unreimbursed expenditures from Federal and state grants and should defer the unexpended balance of revenues received in advance. **Federal and state grants are considered revenues in the fiscal year they are expended.**

Section 20-9-507, MCA requires federal or state grant money, except Federal Impact Aid (Title VIII) and any grants designated for deposit in a specified fund of the district, must be deposited in the Miscellaneous Programs Fund (15).

NOTE: **Federal Impact Aid (Title VIII) money is an entitlement, rather than a federal grant, and as such is not subject to accounting procedures discussed in this section.** Record Title VIII revenue when it is measurable and available. **Do not** adjust for deferred revenue or reimbursable expenditures as shown for regular grants in the following sections.

5-0240.10 RECORDING STATE AND FEDERAL GRANT REVENUES

5-0240.20 ADVANCE-TYPE GRANTS

Most grants received by Montana school districts are distributed in advance of grant expenditures. If the grant closes June 30, unspent grant receipts must be refunded to the grantor. If the grant closes later than June 30, (usually September 30), the unspent grant receipts at June 30 may still be spent in the next fiscal year. However, GAAP requires that grant revenues be recorded in the year the money is spent. For that

reason, unspent grant receipts at June 30 which were previously recorded as revenue when received must be removed from current revenue and recorded either as a payable to the grantor or as a deferred revenue, which will be spent in the next fiscal year. The entries below show accounting procedures for both situations.

To record cash received for advance-type grants during the year:

Debit: 101 Cash $50,000 Credit: 402 Revenue $50,000

Revenue Subsidiary Ledger

X15-XXXX-XXX Any appropriate revenue source $50,000

(To record receipt of Federal or state grant cash revenue.)

At fiscal year-end, to adjust revenue for unspent grant money of a June 30 closing grant: Unspent grant money must be refunded to the grantor when the grant closes. Record the amount due to the grantor as a reduction of grant revenue and a liability. For example, assume the district received $50,000 in grant revenue in the current year, expended $48,000, and owed the grantor a refund of the $2000 unspent at June 30.

Debit: 402 Revenues $2,000

Credit: 611 Due to Other Governments $2,000

Revenue Subsidiary Ledger

X15-XXXX-XXX Source used to record the receipt of grant revenue ($2,000)

(To record the reduction of grant revenue which will be refunded to the grantor. This entry assumes the district previously recorded this money as revenue of the current year. **NOTE: This section only pertains to unspent grant revenue required to be refunded. For refunds required because of questioned or disallowed costs discovered in audits, etc., contact grant accountants or GAAP accounting at OPI.**

5-0240.20 ADVANCE-TYPE GRANTS (Cont'd)

If the refund was issued to the grantor by June 30, there is no liability to the grantor; reduce revenue and credit 620 Warrants Payable or 101 Cash to record the payment.)

To record the refund paid to the grantor in the next fiscal year for the liability recorded in the entry above:

Debit: 611 Due to Other Governments $2,000

Credit: 101 Cash $2,000

(To record the refund payment to the grantor.)

At fiscal year-end, to adjust revenue for a grant which closes later than June 30: Generally, the balance of Federal and state grant moneys received in advance of expenditures must be recorded as deferred revenue at fiscal year end. For example, assume the district spent $48,000 of the $50,000 received. The unspent receipts will be spent in the next fiscal year.

Debit: 402 Revenues $2,000

Credit: 680 Deferred Revenues $2,000

Revenue Subsidiary Ledger

X15-XXXX-XXX Source originally recorded when cash was received ($2,000)

(To reduce grant revenue and record deferral of the revenue for advances on grants from the Federal or state government. This entry assumes the receipt of cash was recorded as revenue during the current year.)

In the next fiscal year, to reverse the deferral entry above:

Debit: 680 Deferred Revenues $2,000

Credit: 402 Revenues $2,000

Revenue Subsidiary Ledger

X15-XXXX-XXX Any appropriate grant revenue source $2,000
(To reverse the deferral of revenues for grant money received in advance of expenditures. This entry reduces the deferred revenue balance to zero and records the grant money as revenue in the current year.)

To record a mid-year refund of a grant which closed during the current year: For example, assume the district did not spend $1,500 of IDEA-PART B funds for the project ended September 30. Assume the $1,500 was previously recorded as revenue for the current year. In November, the refund must be paid.
Debit: 402 Revenue $1,500 Credit: 620 or 101 Warrants Payable or Cash $1,500
Revenue Subsidiary Ledger
X15-4560-333 IDEA-PART B ($1,500)
(To reduce the grant revenue because the amount must be refunded to the grantor. Only the amount of revenue spent within the current year is shown as current revenue according to GAAP.)

To record the refund of grant money for a grant from a previous year: Refunds to grantors should be made in a timely manner. However, if it is necessary to refund unspent grant money which was recorded as grant revenue in a prior year, the district should record an adjustment to beginning fund balance by recording a reduction of revenue source 6100 Material Prior Period Revenue Adjustments. For example, assume a grant from the prior fiscal year is found to have made a disallowed expenditure and the grant requires a refund. The district refunded the amount to the grantor in the current fiscal year.
Debit: 402 Revenue $4,500 Credit: 620 or 101 Warrants Payable or Cash $4,500
Revenue Subsidiary Ledger
X15-6100-XXX Material Prior Year Revenue Adjustments ($4,500)
(To record the reduction of prior year revenue. Note the project reporter which identifies the original grant award. An **immaterial refund** may be recorded as a reduction of the revenue source originally used for the grant revenue.)

5-0240.30 REIMBURSEMENT-TYPE GRANTS

Grants for which the district must claim reimbursement for grant expenditures are considered reimbursementtype grants.

The following entries apply if the district has expenditures which will be reimbursed by the program. If the expenditures will not be reimbursed because the expenditures were not allowable or the district overexpended the grant award amount, the procedures below do not apply. The district must absorb the unreimburseable costs into the General, Impact Aid, or other appropriate fund for the current year.

To record the receipt of cash during the year for reimbursement-type grants:
Debit: 101 Cash $19,000 Credit: 402 Revenue $19,000
Revenue Subsidiary Ledger
X15-XXXX-XXX Any appropriate grant revenue source $19,000
(To record receipt of Federal or state grant cash which should equal expenditures incurred.)

At fiscal year-end, determine the amount of unreimbursed expenditures for which the district expects to receive reimbursement from the grantor.

At fiscal year-end, to record reimbursable grant revenue: For example, assume the district's expenditures are $20,000 for the grant for the current year. Cash received and recorded as revenue during the year totalled $19,000 as of June 30. The district submitted a claim for $1,000 ($20,000 - $19,000).
Debit: 180 Due from Other Governments $1,000
Credit: 402 Revenue $1,000
Revenue Subsidiary Ledger

X15-XXXX-XXX Any appropriate grant revenue source $1,000
(To accrue Federal or state grant revenue for amounts expended but not reimbursed as of June 30. This entry results in equalizing grant revenue and expenditures on the accounting records.)

To record the full reimbursement received in the next year:
Debit: 101 Cash $1,000 Credit: 180 Due from Other Governments $1,000
(To record receipt of reimbursement for grant expenditures recorded in the previous year, for which revenue was accrued in the previous year.)

To record the reimbursement received in the next year if the reimbursement is less than accrued: Record the deficit as a reduction of current revenue. For example, assume only $900 was received for the accrual of $1,000.
Debit: 101 Cash $ 900 Debit: 402 Revenue $ 100 Credit: 180 Due from Other Governments $1,000
Revenue Subsidiary Ledger
X15-6100-XXX Material Prior Period Revenue Adjustment ($ 100)
(To record the receipt of a grant reimbursement and reduction of grant revenue. THIS ENTRY SHOULD BE
RECORDED IN REVENUE SOURCE 6100 MATERIAL PRIOR PERIOD REVENUE ADJUSTMENTS.) **5-0240.30REIMBURSEMENT-TYPE GRANTS (cont'd)**

When the grant account spent money that will not be reimbursed by the grant, record a journal voucher (JV) transaction to absorb the excess expenditures in the General, Impact Aid, or other appropriate fund:
Fund 15
Debit: 101 Cash $100
Credit: 802 Expenditures $100
Expenditures Subsidiary Ledger
X15-999-9999-892-XXX ($100)
(To reduce the grant expenditures recorded in the prior year. Use the project reporter of the original grant.)

General, Impact Aid, or other appropriate fund
Debit: 802 Expenditures $100
Creidt 101 Cash $100
Expenditures Subsidiary Ledger
XXX-999-9999-892 $100
(To record the expenditure in the fund that would have paid it if the grant was not used.)

5-0250.00 REVENUES FROM OTHER DISTRICTS/STATE AND COUNTY GOVERNMENTS

Districts normally receive revenues from the state and county and may receive revenues from other districts. State revenues include Direct State Aid, State GTB, etc. County revenues include the Transportation and Retirement Distributions. Revenues from other districts may include tuition and rental of buildings or facilities. Some county treasurers use all of the OPI revenue source numbers found in Section 3-0500. However, some treasurers simply use a miscellaneous revenue account to account for all non-tax revenue. In this case, it is the responsibility of the business official to code revenues correctly. Be sure to review annual OPI General Fund Budget Overview and Worksheets and Budget Instructions to correctly budget non-tax revenues.

To record the receipt of revenue from other governments during the year: For example, assume the district's State Transportation Aid is $400,000 for the year. During the year, $370,000 is received.
Transportation Fund (10)
Debit: 101 Cash $370,000 Credit: 402 Revenue $370,000

Revenue Subsidiary Ledger
X01-3210 State Transportation Aid $370,000
(To record the receipt of revenues from another district, the state, or the county.)

At fiscal year-end, if uncollected income attributable to the current fiscal year meets the GAAP criteria for recording revenue as discussed in section 5-0210.20, the district should record revenue and a receivable for the amount due from state, county or other district as shown in the following entry.

At fiscal year end, to record revenue receivable from the state, county, or another district: For example, assume the district has not received the final distribution of State Transportation Aid related to the entry above.
General Fund (01)
Debit: 180 Due from Other Governments $ 30,000
Credit: 402 Revenue $ 30,000
Revenue Subsidiary Ledger
X01-3210 State Transportation Aid $ 30,000
(To record revenue which is receivable from another government at June 30.)

5-0250.00 REVENUES FROM OTHER DISTRICTS/STATE AND COUNTY GOVERNMENTS (cont'd)

To record the payment received in the next fiscal year:
General Fund (01)
Debit: 101 Cash $ 30,000
Credit: 180 Due from Other Governments $ 30,000
(To record receipt of revenue recorded as a receivable and revenue from another government at fiscal year-end. This entry reduces the receivable balance.)

5-0260.00 REFUNDS OF NON-TAX REVENUES

Non-tax revenue refunds will normally be rare and small in amount. The refunds are recorded as reductions of previously recorded revenues ("revenue abatements") from sources other than taxes. For example, if the district issues a refund warrant for lunch tickets after the revenue has been recorded, the refund would be recorded as a reduction of revenue from lunch ticket sales.

A material refund should be recorded as an adjustment to beginning fund balance using source 6100.

5-0260.10 RECORDING NON-TAX REVENUE REFUNDS

Also see section 5-0240.00, "REVENUES FROM FEDERAL AND STATE GRANTS" and section 5-0280.00, "PRIOR PERIOD REVENUE ADJUSTMENTS" for refunds of revenues other than taxes.

To record a refund of non-tax revenue recorded in the current year OR an IMMATERIAL non-tax revenue recorded in the prior year: For example, assume the district issues a refund for lunch tickets. Reduce the revenue which was originally recorded.
School Lunch Fund (12)
Debit: 402 Revenues $15 Credit: 620 or 101 Warrants Payable or Cash $15
Revenue Subsidiary Ledger
X12-1611 Reimbursable Lunch-Daily Sales (Reduce the source of revenue where the receipt was originally recorded) ($15)
(To record the warrant issued to reimburse a student for lunch tickets.)

Rarely will a refund of prior year revenue be material in relation to the fund balance of the affected fund. However, GAAP requires special accounting procedures for material refunds of prior year revenues. OPI

suggests an amount which is 5% or more of the anticipated ending fund balance of the affected fund should be considered material. If the amount of a refund of revenue recorded in the prior year is significant, the district must record the refund as an adjustment to beginning fund balance.

5-0260.10 RECORDING NON-TAX REVENUE REFUNDS (cont'd)

To record a material refund of non-tax revenue recorded in the prior year: For example, assume the district must refund State Transportation revenue received in the prior fiscal year. The amount was distributed to the district in error.

Debit: 402 Revenue $20,000 Credit: 620 or 101 Warrants Payable or Cash $20,000

Revenue Subsidiary Ledger

X10-6100 Prior Period Revenue Adjustments ($20,000)

(To record the adjustment of prior year revenue. This entry reduces the 6100 account.)

5-0270.00 RECORDING DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

In some instances, the amount of revenue received in the next fiscal year will differ from the amount of revenue accrued at fiscal year-end. The method used to record differences is determined by the relative size of the difference. Small or immaterial differences may be credited to a current revenues account or to 6100 Prior Period Revenue Adjustments. Large or material differences must be recorded as adjustments to revenue source 6100 Prior Period Revenue Adjustments. Be sure to have an explanation for the auditor for all items in the 6100 account.

5-0270.10 IMMATERIAL DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

To record the receipt of revenues slightly less than the amount accrued: For example, assume the amount accrued for tuition revenue was $1,000. The correct amount received is $980.

Debit: 101 Cash $ 980 Debit: 402 Revenue $ 20

Credit: 180 Due from Other Governments $1,000

Revenue Subsidiary Ledger

X01-1320 School Tuition Within State ($ 20)

(To reduce the current year tuition revenue by the immaterial amount overaccrued in the prior year.)

To record the receipt of revenues slightly greater than the amount accrued: For example, assume the Direct State Aid accrual for June was $6,700 but was accidentally overcalculated. The amount received was $6,750.

Debit: 101 Cash $6,750

Credit: 402 Revenue $ 50

Credit: 180 Due from Other Governments $6,700

Revenue Subsidiary Ledger

X01-3110 Direct State Aid $ 50

(To record the receipt of cash, reduce the receivable recorded at the previous fiscal year-end, and record the excess receipts as current revenue.)

5-0270.20 MATERIAL DIFFERENCES BETWEEN REVENUES ACCRUED AND RECEIVED

To record the receipt of revenue which is materially less than the amount accrued: For example, assume the district accrued $23,000 for a June Direct State Aid payment not received by June 30. The accrual should have been for $2,300. The district received $2,300.

Debit: 101 Cash $ 2,300 Debit: 420 Revenue $20,700

Credit: 180 Due from Other Governments $23,000

Revenue Subsidiary Ledger

X01-6100 Prior Period Revenue Adjustments ($20,700)

(To record the cash received, reduce the receivable, and record the adjustment to prior year revenue. The balance of the 6100 account is reported on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance. The amount does not reduce current revenue. Federal or state grant money should be identified using project reporters.)

To record the receipt of revenue which is materially greater than the amount accrued: For example, assume the district accrued $170 for a June state school food reimbursement payment not received by June 30. The accrual should have been for $17,000.

Debit: 101 Cash $17,000 Credit: 420 Revenue $16,830
Credit: 180 Due from Other Governments $ 170
Revenue Subsidiary Ledger
X12-6100 Prior Period Revenue Adjustments $16,830

(To record the cash received, reduce the receivable, and record the adjustment to prior year revenue. The balance of the 6100 account is reported on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance. The amount is not included in current revenue. Federal or state grant money should be identified using project reporters.)

5-0280.00 PRIOR PERIOD REVENUE ADJUSTMENTS

GAAP requires that material adjustments of revenue applicable to the prior year must be reported as adjustments to the beginning fund balance in the year of correction. **NOTE: Adjustments shown in this section should rarely be necessary because of the rarity of revenue accruals and material errors.**

Revenues increase the fund balance of the current year. If a district fails to record a material amount of current revenue in the year it should be recorded, the ending fund balance for that year will be understated. The beginning fund balance of the next year is therefore also understated. Likewise, if the district accrues a material amount as revenue in one year which properly belongs in the next year, the ending fund balance (and beginning fund balance of the next year) will be overstated. For that reason, when material adjustments of revenue recorded in a prior year are necessary, the following entries should be used.

5-0280.00 PRIOR PERIOD REVENUE ADJUSTMENTS (cont'd)

To record the receipt of a material amount of revenue applicable to the prior year: For example, assume the district's June Direct State Aid payment of $20,000 was distributed to another district in error. The payment should have been recorded as revenue in the prior year but was overlooked (i.e., the receivable is zero. Record the receipt as a prior year revenue adjustment.

Debit: 101 Cash $20,000 Credit: 402 Revenue $20,000
Revenue Subsidiary Ledger
X01-6100 Material Prior Period Revenue Adjustments $20,000

(To record the receipt of revenue which should have been accrued in the prior year. The adjustment in revenue source 6100 is shown on the Trustees' Financial Summary and GAAP financial statements as an adjustment to beginning fund balance. The amount is not included in current revenue. Federal or state grant money should be identified using project reporters.)

To record the adjustment for revenue recorded in the prior year which was not applicable to that year: For example, assume the district received a payment of $40,000 of Direct State Aid last year. The distribution was made in error. The amount must be refunded in the current year.

Debit: 402 Revenue $40,000 Credit: 620 or 101 Warrants Payable or Cash $40,000
Revenue Subsidiary Ledger
X01-6100 Material Prior Period Revenue Adjustments $40,000

(To record the amount refunded as an adjustment to prior year revenues. The adjustment in revenue source 6100 is shown on the Trustees' Financial Summary and GAAP financial statements as an adjustment to

beginning fund balance. The amount does not reduce current revenue. Federal or state grant money should be identified using project reporters.)

5-0300.00 EXPENDITURES AND PAYABLES

5-0310.00 INTRODUCTION

5-0310.10 DEFINITIONS

"Accrual" is the process of recording an expenditure in the accounting period in which a liability has been incurred, regardless of whether cash has been paid out. Accrual results in an entry to "Expenditures" and usually creates a corresponding payable (liability) on the books.

"Accrued Expenditures" are expenditures recorded in the accrual process. The liability recorded for the accrual will normally be paid in the next fiscal year.

5-0310.20 BASIC ACCOUNTING PROCEDURES

GAAP requires that an expenditure be recorded in the accounting period in which the liability is incurred. Generally, a liability is incurred when goods or services are received.

School districts may keep their accounting records on a cash basis during the year, that is, record expenditures only when cash is disbursed. However, appropriate entries must be recorded at fiscal year-end to adjust expenditures to the modified accrual basis.

5-0310.30 IDENTIFYING EXPENDITURES FOR ACCRUAL

At fiscal year-end, the district must **analyze** expenditures incurred but unpaid as of June 30. Examples of expenditures which may require accrual are discussed in section 5-0330.00, "COMMON EXPENDITURE ACCRUALS." Also see section 5-1600, "LIST OF RECEIVABLES AND PAYABLES."

Usually, the district will receive bills or invoices during July for goods and services received by June 30. The amount to record as an expenditure and liability will be evident from the bills or invoices. If the exact amount is unknown, the district should estimate the cost of expenditures to accrue. If the cost is estimated, the basis of the estimate must be logical and well-documented. For example, unbilled charges for June utilities may be recorded as expenditures based on a reasonable estimate using prior years' June bills.

The district should accrue all unpaid items which are liabilities of the district at June 30, unless the items are insignificant in amount. To reduce the amount of paperwork associated with accruals, districts may consider not accruing items less than one hundred ($100) dollars, unless a number of items from the same vendor totals over $100 or the sum of several liabilities is significant. Accrual of items under $100 is not prohibited, however.

Accounting procedures for common expenditure accruals are explained in section 5-0330.00. Accounting procedures for expenditure accruals in general are shown in section 5-0320.00, "RECORDING EXPENDITURE ACCRUALS."

5-0310.40 DOCUMENTING EXPENDITURE ACCRUALS

The district must retain a list of fiscal year-end expenditure accruals and encumbrances by fund and supporting documentation for control and auditing purposes.

5-0320.00 RECORDING EXPENDITURE ACCRUALS

Entries shown in this section provide a simple method for recording expenditure accruals and payments. This method assumes the district records expenditures during the year when writing warrants, records expenditure accruals at fiscal year-end, then reduces the liability when paying for the items in the next year.

The district may use an alternative method of accounting for accruals if the method produces the same result at fiscal year-end as the method presented in this section.

The entries in this section demonstrate the use of the balance sheet account 802 Expenditures (control or summary), which is not required. Whenever the district posts an entry to the 802 Expenditures account, the entry must also be posted in the Expenditures Subsidiary Ledger to record the details of expenditures by fund, program, function, expenditure object, and project reporter if necessary. The entry in the subsidiary ledger charges the expenditure to the budget line item. Districts which do not use the 802 Expenditure Control account will post expenditures directly to the budget line item.

To accrue expenditures at fiscal year-end:
Debit: 802 Expenditure $2,000 Credit: 601 thru 690 (a current liability account) $2,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX-XXXAny appropriate expenditure object $2,000
(To record the cost of goods or services received but not paid for by June 30. The current liability account used depends on the type of expenditure. Review the chart of accounts and definitions for the appropriate liability account.)

To record payment on the liability in the next year:
Debit: 601 thru 690 (a current liability account) $2,000 Credit: 620 or 101 Warrants Payable or Cash $2,000
(To record the warrant issued to pay for accrued obligations. The liability account debited in this entry **must be the same** liability account credited in the accrual entry shown above.) Do not record payments using an expenditure account.

In some instances the payment for the expenditure accrual will not equal the amount accrued. See section 5-0340.00, “RECORDING DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.”

5-0330.00 COMMON EXPENDITURE ACCRUALS

5-0330.10 SALARIES AND BENEFITS

Generally, expenditures for payroll and employee benefits should be recorded in the year in which the employee provides the service. **Salaries and benefits for work performed by employees prior to June 30, but not paid by June 30, must be recorded as expenditures and liabilities.**

For example, if a teacher’s salary for the ten-month school year is paid on a twelve-month contract, the district should record expenditures and a liability at June 30 for the July and August salaries. If a year-round employee’s June salary has not been paid by June 30, the district should record the applicable expenditure and liability. However, if teachers are on ten-month contracts and all salaries for services received during those ten months have been paid and all other June payroll has been paid as of June 30, no salary or benefit accrual is needed.

The expenditure amount recorded as of June 30 should include all applicable employer payroll costs. For example, the expenditure recorded for accrued salaries and benefits payable should include the employer's share of employee benefits such as FICA, TRS and PERS retirement contributions.

To accrue payroll and benefit liabilities at fiscal year end: Record the liability in each fund used to pay employee payroll and benefits.

Debit:	802	Expenditures	$40,000
Credit:	661	Salaries and Benefits Payable	$40,000
Expenditures Subsidiary Ledger			
XXX-XXX-XXXX-1XX through 2XX		Personnel Services-Salaries and Personnel Services-Benefits	$40,000 (would be broken down into various expenditure accounts)

(To record expenditures and liability at fiscal year-end for salaries and the employer's share of benefits such as FICA, TRS, PERS, etc.)

To record the payment of salaries and employer contributions to FICA, TRS, PERS, etc. in July and August in the next fiscal year:

Debit: 661 Salaries and Benefits Payable $40,000 Credit: 620 or 101 Warrants Payable or Cash $40,000

(To record the payment of salaries and the employer's share of benefits for liabilities accrued at the prior fiscal year-end. This entry reduces the liability account.)

5-0330.20 HEALTH INSURANCE PREMIUMS

The cost of health insurance premiums to be paid in July and August of the next fiscal year should be recorded as an expenditure for the current year if coverage is part of a contract for the school year ended June 30.

To accrue the July and August health insurance premium liability at fiscal year-end:

Debit:	802	Expenditures	$ 5,000
Credit:	661	Accrued Salaries and Benefits	$ 5,000
Expenditures Subsidiary Ledger			
XXX-XXX-XXXX-260		Health Insurance	$ 5,000

(To record the expenditure and liability for health insurance premiums to be paid July and August. Insurance costs which are not part of a personnel contract for the fiscal year ended June 30 should not be accrued.)

To record the payment for the premium liability in July and August of the next fiscal year:

Debit: 661 Accrued Salaries and Benefits $ 5,000 Credit: 620 or 101 Warrants Payable or Cash $ 5,000

(To record the payment of health insurance premiums for which costs were recorded as an expenditure and liability at fiscal year-end. This entry reduces the liability account.)

5-0330.30 WORKERS' COMPENSATION PREMIUMS

Workers' compensation premiums applicable to the current year's actual payout of salaries and benefits should be recorded as expenditures. The amount to accrue for premiums due for the quarter ended June 30 may be determined by calling the Workers' Compensation Division or by using the worksheet shown in section 5-1710.00, "EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET."

To record the workers' compensation premium and payroll taxes liability at fiscal year-end: Assume the total of the premium for the quarter ended June 30 was calculated as $2,300.

Debit:	802	Expenditures	$2,300
Credit:	661	Salaries and Benefits Payable	$2,300
Expenditures Subsidiary Ledger			
XXX-XXX-XXXX-250		Workers' Compensation	$2,300

(To record the workers' compensation premium for the quarter ended June 30.)

To record the payment of the accrued premium premium in the next fiscal year:
Debit: 661 Salaries and Benefits Payable $2,300 Credit: 620 or 101 Warrants Payable or Cash $2,300
(To record payment for workers' compensation premiums for the quarter ended June 30. If the actual premium paid differs slightly from the amount accrued, charge the difference to current expenditures in the year paid.) **5-0330.40 COMPENSATED ABSENCES**

Compensated absences are benefits such as vacation and sick leave pay. In governmental funds, vacation and sick leave pay **should be recorded as expenditures in the year the employee uses the leave or terminates employment**. The accumulated liability for compensated absences is considered a long-term liability which should be reported on the Schedule of Long-Term Liabilities instead of the specific fund. See "COMPENSATED ABSENCES," section 5-1350.00.

5-0330.50 JUNE UTILITY AND PHONE BILLS

Generally, costs for services must be recorded as expenditures in the year in which the service is received.

June phone and utility charges should be recorded as expenditures for the current year. If the bill arrives in July, the amount of the accrual will be the actual cost. If the bill does not arrive in time, the district should estimate the charges based on prior experience or another reasonable basis and accrue that amount. The basis for the estimate should be documented for an audit trail.

If the billing period includes charges for June and July on one bill, prorate the charges between fiscal years. An immaterial portion (less than $100) attributable to a fiscal year may be charged to the other fiscal year. For example, if June charges are $30 and July charges are $750, June charges may be charged as expenditures when the bill is paid in the next fiscal year.

At fiscal year-end to accrue the expenditures for June utilities/phone charges:
Debit: 802 Expenditures $1,000 Credit: 621 Accounts Payable $1,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate object $1,000
(To record the expenditure and liability for June utilities and phone charges which will be paid in the next fiscal year.)

To record the payment in the next fiscal year:

Debit:	621	Accounts Payable	$1,000
Credit:	620 or 101	Warrants Payable or Cash	$1,000

(To record payment of June utility and phone charges which were recorded as expenditures and payables at fiscal year-end. This entry reduces the liability account.)

5-0330.60 EQUIPMENT PURCHASES

Generally, costs of equipment must be recorded as expenditures in the year in which the equipment is received.

For minor equipment items (usually less than $5,000, not to be recorded as fixed assets in the accounting records) received but not paid for by June 30:

Debit:	802	Expenditures	$ 150		
Credit:	621	Accounts Payable			$ 150
Expenditures Subsidiary Ledger					
XXX-XXX-XXXX-660 or 670 Minor Equipment					$ 150

(To accrue the expenditure and liability for minor equipment.)

5-0330.60 EQUIPMENT PURCHASES (Cont'd)

For equipment items which are to be included as fixed assets in the accounting records (usually over $5,000), the entry would be the same as shown above except that the expenditure would be charged to expenditure objects 700 through 749. See section 5-1200, "FIXED ASSETS."

To record the payment in the next fiscal year:

Debit: 621	Accounts Payable	$150
Credit: 620 or 101	Warrants Payable or Cash	$150

(To record payment of equipment purchases which were recorded as expenditures and payables at fiscal yearend. This entry reduces the liability account.)

5-0330.70 MATERIALS AND SUPPLIES

Generally, costs of materials and supplies must be expensed either in the year received ("purchases method") or as used ("consumption method"). See section 5-0600, "SUPPLIES." The district may choose either method but **must apply the chosen method consistently from year to year**.

To accrue the costs of materials and supplies received but not paid for by June 30 (Purchases Method):

Debit:	802	Expenditures	$1,700		
Credit:	621	Accounts Payable			$1,700
Expenditures Subsidiary Ledger					
XXX-XXX-XXXX-610		Any appropriate expenditure object			$1,700

To record the payment in the next fiscal year:

Debit: 621	Accounts Payable	$1,700
Credit: 620 or 101	Warrants Payable or Cash	$1,700

(To record payment of supply and material purchases which were recorded as expenditures and payables at fiscal year-end. This entry reduces the liability account.)

5-0330.80 CREDIT CARD INVOICES

Generally, credit card charges must be recorded as expenditures in the year the charged goods and services were received. If the district has not paid the bill by June 30, charges should be recorded as expenditures and a payable at fiscal year-end. If the bill has not been received in time to accrue the exact amount of the bill, estimate the charges based on credit card receipt slips.

To accrue expenditures for credit card charges not paid by June 30: For example, assume the credit card bill for $1,200 in motel and meal charges for a team trip in June has not been paid by June 30.

Debit:	802	Expenditures	$1,200		
Credit:	621	Accounts Payable			$1,200

Expenditures Subsidiary Ledger
XXX-XXX-XXXX-582 Out-of-District Travel $1,200
(To accrue expenditures for credit card charges not paid by June 30. Notice that expenditures would be charged to appropriate expenditure accounts when the credit card bill is paid.)

5-0330.80 CREDIT CARD INVOICES (Cont'd)

To record the payment in the next fiscal year:

Debit: 621 Accounts Payable $1,200
Credit: 620 or 101 Warrants Payable or Cash $1,200
(To record payment of credit card charges which were recorded as expenditures and payables at fiscal year-end.
This entry reduces the liability account.)

5-0340.00 RECORDING DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS

In some cases, the amount paid in year 2 will differ from the amount accrued in year 1. For example, if an invoice for $250 was incorrectly accrued as $300, the actual amount payable is $50 less than the liability recorded. If the cost for unbilled June phone charges was estimated and recorded as an expenditure for $50 and the June bill received later was $100, the amount payable would be $50 higher than the liability recorded. The procedure used to record the difference depends on the relative size of the difference.

5-0340.10 IMMATERIAL OVER- AND UNDER-ACCRUALS

Small or "immaterial" differences are recorded as adjustments to current revenues and expenditures.

If the payment in year 2 is greater than the amount accrued in year 1 (under-accrual): For example, assume the amount accrued was $245 charged to object 610-Supplies and the invoice amount is $250.

Debit: 621 Accounts Payable $245 Debit: 802 Expenditures $ 5
Credit: 620 or 101 Warrants Payable or Cash $250
Expenditures Subsidiary Ledger
XXX-XXX-XXX-610 Supplies (The same object to which the accrual was charged at the previous year-end) $ 5
(To record payment of accrued expenditures. The debit to the current liability account must equal the amount originally accrued in year 1. The credit to warrants payable or cash equals the amount of the invoice. The difference is debited to current year 2 expenditures. DO NOT USE EXPENDITURE OBJECT 892-PRIOR PERIOD EXPENDITURES, WHICH IS FOR LARGE/MATERIAL DIFFERENCES ONLY. SEE SECTION 5-0360.00 FOR INSTRUCTIONS ON USE OF THAT OBJECT.)

If the payment in year 2 is less than the amount accrued in year 1 (over-accrual): For example, assume the amount accrued was $365 charged to object 250-Workers' Compensation and the invoice amount is $350.

Debit: 661 Accrued Salaries and Benefits Payable $365
Credit: 402 Revenues $ 15
Credit: 620 or 101 Warrants Payable or Cash $350
Revenue Subsidiary Ledger
XXX-1900 Other/Miscellaneous Revenue $ 15
(To record payment of accrued expenditures. The debit to the liability account must equal the amount originally accrued in year 1. The credit to warrants payable or cash equals the amount of the invoice. The difference is credited to current year 2 revenues.)

5-0340.20 MATERIAL OVER- AND UNDER-ACCRUALS

Rarely will the difference between the amount accrued and the amount paid be significantly large in relation to the total fund balance of the affected fund. However, if the difference is material, GAAP requires it to be reported on financial statements as an adjustment to beginning fund balance.

What amount is considered "material" is somewhat discretionary and depends on the amount of fund balance and other components shown on the financial statements. As a general rule, when the difference is 5% or more of the anticipated ending fund balance of the affected fund, the district should consider whether the item is a material adjustment required to be recorded as a prior period adjustment. Contact your auditor or OPI for advice if needed.

A material difference between the expenditure amount accrued and the actual amount paid in the next year should be recorded in the year of payment either as expenditure code 892 Prior Period Expenditure Adjustments (accrued too little) or as revenue source 6100 Material Prior Period Revenue Adjustments (accrued too much). Charges to 892 must be within the fund's total budget limit, according to A.R.M. 10.10.305.

When the invoice paid in year 2 is materially greater than the amount accrued in year 1 (material under-accrual): For example, assume the amount incorrectly accrued for computer equipment was $1,000 and the invoice is $10,000.

Debit:	601 thru 690	(liability account used in year 1)	$ 1,000
Debit:	802	Expenditures	$ 9,000
Credit:	620 or 101	Warrants Payable or Cash	$10,000

Expenditures Subsidiary Ledger

XXX-999-9999-892	Prior Period Expenditure Adjustments	$ 9,000

(To record a warrant issued for payment of accrued expenditures. The debit to the liability account must equal the amount originally accrued in the previous year. The credit to warrants payable or cash equals the amount of the invoice. The difference is debited to 892.)

On the annual Trustees' Financial Summary submitted to OPI and on financial statements prepared in accordance with GAAP, the district would report the balance of expenditure object 892 as an adjustment to beginning fund balance of the affected fund. The amount would not be included in current expenditures reported for the fund.

When the invoice paid in year 2 is materially less than the amount accrued in year 1 (material over accrual): For example, assume the amount accrued for a computer system was $40,000, but the invoice is $25,000.

Debit:	601 thru 690	(liability account used in year 1)	$40,000
Credit:	402	Revenue	$15,000
Credit:	620 or 101	Warrants Payable or Cash	$25,000

Revenue Subsidiary Ledger

XXX-6100	Prior Period Revenue Adjustments	$15,000

(To record payment of accrued expenditures. The debit to the liability account must equal the amount originally accrued in the previous year. The credit to warrants payable or cash equals the amount of the invoice. The difference is credited to 6100.)

5-0340.20 MATERIAL OVER- AND UNDER- ACCRUALS (Cont'd)

On the annual Trustees' Financial Summary submitted to OPI and on financial statements presented in accordance with GAAP, the district would report the balance of revenue source 6100-Material Prior Period Revenue Adjustments as an adjustment to beginning fund balance of the affected fund. The amount would not be included in current revenues reported for the fund.

5-0350.00 EXPENDITURE REFUNDS

5-0350.10 DEFINITIONS

"Refunds" occur when the district receives money back from previous payments. For example, if the district purchased equipment, paid for it, then decided to return the equipment due to defects and purchase different equipment from a different vendor, the vendor who originally received payment may refund the purchase price to the district.

"Expenditure Abatement" is a return or cancellation of all or part of a charge previously made. Abatements usually result in restoration of budget in expenditure accounts only when they occur during the same fiscal year as the expenditure; thereafter, they become sources of revenue to the fund.

5-0350.20 RECORDING EXPENDITURE REFUNDS

Refunds and rebates (e.g., rebates on Driver's Education cars or a power cooperative) should be deposited in the fund from which the original disbursement was made. If a refund or reimbursement originally paid from one fund is to be deposited to another fund, the district should discuss this with the county attorney or auditor. Refunds of current year expenditures are recorded as reductions of current expenditures. This has the effect of restoring the school district's spending authority in that fund in the amount of the refund. However, if the refund of a prior year's expenditure is significantly large, GAAP requires special accounting treatment as shown below.

Rarely will the refund of a prior year's expenditure be significantly large in relation to the total fund balance of the affected fund. However, when the amount is significant, GAAP requires it to be recorded as an adjustment of the prior year's expenditures and reported on financial statements as an adjustment to beginning fund balance.

What amount is considered "material" is somewhat discretionary and depends on the amount of fund balance and other components shown on the financial statements. As a general rule, when the refund is 5% or more of the anticipated ending fund balance of the affected fund, the district should consider whether the item is a material adjustment required to be recorded as a prior period adjustment. Contact your auditor or OPI for advice if needed.

To record the receipt of an expenditure refund/rebate for expenditures recorded in the CURRENT year:

Debit: 101	Cash	$400
Credit: 802	Expenditures	$400
Expenditures Subsidiary Ledger		
XXX-XXX-XXXX-XXX	Object used when the original expenditure was recorded	($400)

(To record a refund of a previous payment made in the current year.)

5-0350.20 RECORDING EXPENDITURE REFUNDS

To record the receipt of an IMMATERIAL expenditure refund/rebate for expenditures recorded in the PRIOR year:

Debit: 101	Cash	$40
Credit: 402	Revenues	$40
Revenue Subsidiary Ledger		
XXX-1900	Other/Miscellaneous Revenue	$40

(To record an immaterial refund of a prior year expenditure.)

To record a MATERIAL refund/rebate received for expenditures recorded in a prior year:

Debit: 101	Cash	$40,000
Credit: 402	Revenues	$40,000
Revenue Subsidiary Ledger		
XXX-6100	Material Prior Period Revenue Adjustments	$40,000

(To record the receipt of a material refund of a prior year's expenditures.)

On the annual Trustees' Financial Summary submitted to OPI and on financial statements presented in accordance with GAAP, the district would report the adjustment under revenue source 6100 as an adjustment to beginning fund balance of the affected fund. The amount would not be included in current revenues reported for the fund.

5-0360.00 PRIOR PERIOD EXPENDITURE ADJUSTMENTS

Immaterial adjustments of expenditures applicable to a prior year are recorded using a debit to a current expenditure account for an increase or a credit to 1900 Miscellaneous Revenue for a decrease. Material adjustments of expenditures applicable to a prior year must be reported as adjustments to beginning fund balances in the year of correction.

Expenditures decrease the fund balance of the current year. If a district fails to record a material amount of expenditures in the current year, the ending fund balance of that year will be overstated. The beginning fund balance of the next year is also overstated. Likewise, if the district records a material expenditure which properly belongs in the next year, the ending fund balance (and the beginning fund balance of the next year) will be understated. For that reason, material adjustments of expenditures recorded in the prior year should be recorded as adjustments to beginning fund balance of the current year using entries in this section.

Adjustments to materially increase prior period expenditures are charged using a debit to 892 Prior Period Expenditure Adjustments. Adjustments to materially decrease prior year expenditures are recorded using a credit to revenue account 6100 Prior Period Revenue Adjustments. The adjustment to the revenue code is necessary because a credit adjustment to an expenditure code would artificially inflate the expenditure authority of the district by reducing expenditures of the current year. Expenditure accounts should never have a negative balance.

Adjustments in the 892 and 6100 accounts are reported on the Trustees' Report and on GAAP financial statements as adjustments to the beginning fund balances of the affected funds. They are not reported as current revenues or expenditures.

5-0360.00 PRIOR PERIOD EXPENDITURE ADJUSTMENTS (Cont'd)

To record an expenditure applicable to the prior year: For example, assume the district had received a piece of equipment in June of the prior fiscal year, but did not record the expenditure in that year. In the current year, the district must record the adjustment to prior period expenditures.

Debit: 802	Expenditures	$25,000
Credit: 620 or 101	Warrants Payable or Cash	$25,000
Expenditures Subsidiary Ledger		
XXX-999-9999-892	Prior Period Expenditure Adjustments	$25,000

(To record the payment for an expenditure which should have been recorded in the prior year. The charge to 892 must be within the budget of the fund according to A.R.M. 10.10.305. A budget transfer may be needed. The charge does not increase current expenditures but prior period expenditure adjustments and current expenditures, when added together, cannot exceed the budget of a fund. **NOTE: A small, or immaterial, prior year expenditure may be charged to a current expenditure line item.**)

To record the adjustment for an expenditure recorded in the prior year which should properly be recorded in the current year: For example, assume a copier purchased for $19,000 was ordered and received in the prior year. The expenditure was accidentally recorded twice in the prior year. Assume the item was accrued as an expenditure and liability twice. Upon payment, the error is discovered and corrected using an adjustment to beginning fund balance using the prior period revenue account.

Debit: 621 Accounts Payable (accrued twice in error) $38,000 Credit: 620 or 101 Warrants Payable or Cash $19,000

Credit: 402	Revenue	$19,000
Revenue Subsidiary Ledger		
XXX-6100	Prior Period Revenue Adjustments	$19,000

(To record the payment for goods received in the prior year. The expenditure should have been recorded in the prior year. Since the budget for the prior year is closed, the adjustment must use revenue 6100. **NOTE: A small, or immaterial adjustment may be credited to revenue code 1900 Miscellaneous Revenue.**)

5-0400.00 ENCUMBRANCES

NOTE: OPI encourages, but does not require, the use of encumbrance accounting. Montana schools may choose to: (1) Not record encumbrances, (2) Record encumbrances only at June 30, or (3) Record encumbrances continually during the year (i.e. encumber each purchase order).

5-0410.00 PURPOSE OF ENCUMBRANCE ACCOUNTING

Since budgets are the legal authority to spend money, it is important for school administrators to have accurate, up-to-date information on the status of budget balances at any given time. To have an accurate idea of the situation, knowing the amount spent to date is not enough. Districts must also know the amount committed to avoid overspending budgeted funds.

5-0410.10 DEFINITIONS

"Encumbrances" are commitments related to unperformed, legally binding contracts for the purchase of goods or construction in progress. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts/purchase orders in process are completed. See section 5-0410.40, "VALID OBLIGATION CRITERIA."

"Encumbrance accounting" is used to set aside adequate spending authority to pay outstanding encumbrances. Encumbrance accounting is not complicated. In its simplest form, it means that when a purchase order is prepared, the budget balance in the appropriate account is checked to ensure that budget authority is available to spend. If the budget balance in the fund is adequate, the amount of the order is charged ("encumbered"), reducing the available budget balance. This entry reduces spending authority in the account to cover the order. When the invoice arrives and is paid, the encumbered amount is reversed and the amount of the invoice is recorded as an expenditure. At any point in time, the available budget balance in the account equals the appropriation (budgeted amount) less total expenditures and encumbrances.

Because encumbrance accounting is used to set aside spending authority for obligations when a budget will lapse on a certain date, **encumbrances are not needed in nonbudgeted funds, except to record obligations for grant funding on an award which lapses on a certain date.** If budget authority or grant spending authority carries into the next fiscal year, the district may chose not to record encumbrances. When the item is paid for in the next year, the expenditure would be recorded as a normal cash expenditure and charged to the budget of the current year.

Expenditure Budget vs. Actual Report
For the Accounting Period: 6/0X

Program-Function-Object	Commited Current Month	Encumbered YTD	Expended YTD	Current Appropriation	Available Appropriation	% Commited
101 Elementary General Fund						
100 Instructional Programs						
2213 Instructional Staff Development Services						
150 Stipends	100.00	0.00	3,544.02	5,800.00	2,255.98	61%
320 Prof-Ed. Ser	6,488.18	0.00	6,646.18	23,103.89	16,487.71	28%
340 Tech Serv	0.00	0.00	0.00	2,500.00	2,500.00	0%
582 Travel Out-Distr	5,013.49	2,214.00	13,951.15	14,592.00	-1,573.16	110%
610 Supplies	0.00	0.00	997.30	6,233.11	5,235.81	16%
640 Books	0.00	0.00	228.80	2,500.00	2,271.20	9%
810 Profess Dues	0.00	0.00	159.00	7,700.00	7,541.00	2%

Function Total:	11,601.67	2,214.00	25,526.45	62,429.00	34,688.55	16%

5-0410.20 REPORTING EXPENDITURES--BUDGETARY AND GAAP BASIS

Montana law allows school districts to report encumbrances for construction in progress and personal property as expenditures for budgetary purposes (20-9-209, MCA). As a result, expenditures may be reported on the "GAAP basis" and on the "Budgetary basis."

For **"GAAP basis"** reporting purposes, an encumbrance is not considered an expenditure or a liability until the goods or services are received. As a result, "GAAP basis" expenditures include only cash expenditures and accrued expenditures. "GAAP basis" reporting is usually done only in the audit report.

For **"Budgetary basis"** reporting purposes, encumbrances are reported as expenditures and as a fund balance Reserve for Encumbrances rather than a liability. As a result, "Budgetary basis" expenditures include cash expenditures, accrued expenditures, and encumbrances. The Trustees' Financial Summary (TFS) is prepared on the budgetary basis.

5-0410.30 LIST OF YEAR-END ENCUMBRANCES AND ACCRUALS

The district should develop a list showing the detail and amount of accrued expenditures and encumbrances by fund.

5-0410.40 VALID OBLIGATION CRITERIA

As provided by 20-6-209, MCA, the district may encumber current year appropriations (budget) for valid obligations at June 30 if the encumbrance meets one of the following criteria: (ARM 10.10.101)

a. The costs of personal property, including materials, supplies, and equipment, ordered but not received may be encumbered if a valid purchase order was issued prior to June 30;

b. The cost of commitments related to construction in progress may be encumbered if a legally binding contract was signed and effective or a valid purchase order was issued prior to June 30. If the contract is complete or virtually complete, the entire cost of the contract should be accrued.

NOTE: The criteria above **do not include contracts for services** other than construction. Districts which do not use a formal purchase order system during the year should use written purchase orders at year-end to properly document the validity of encumbrances for personal property items.

Purchase Orders
Purchase orders used to encumber the costs of goods at June 30 must be complete as to the items being purchased, show the price, be signed by the board-authorized purchasing officer and must be delivered or mailed to the vendor by June 30. OPI suggests that the board of trustees should set a reasonable purchase order cut-off date so that all orders may be processed in time to be encumbered by June 30. Copies of purchase orders must be retained as support documentation for encumbrances.

Clearing Prior Year Encumbrances
At year-end, a review should be made of all outstanding encumbrances to determine if they are still valid. Encumbrances for goods reported on the prior year's Trustees' Financial Summary must be liquidated (cleared) before June 30 of the current year. However, encumbrances related to construction contracts are not required to be cleared until the contract is completed or the contract is no longer valid. Journal entries

for reversing encumbrances which are no longer valid are shown in section 5-0420.20, "LIQUIDATION OF OUTSTANDING ENCUMBRANCES."

5-0420.00 RECORDING ENCUMBRANCES

OPI recommends schools maintain their accounts on the budgetary basis during the year for budgetary control and annual budgetary reporting (i.e., Trustees' Financial Summary) purposes. Schools should adjust the amounts on the year-end closing workpapers to the GAAP basis to report GAAP basis expenditures on financial statements presented in accordance with GAAP for the audit report. Auditors may do this on behalf of the school district, but school districts should understand adjustments.

The following examples show journal entries to record encumbrances on a budgetary basis.

To record an encumbrance during the year or at fiscal year-end: For example, assume the district has issued a purchase order for $1,500 of supplies but has not received the goods by June 30.

Debit: 803 Encumbrances $1,500
Credit: 953 Reserve for Encumbrances $1,500
(To record an encumbrance for a purchase order, contract, etc. The debit to Encumbrances above would be posted in the encumbrance field or column in the Expenditures Subsidiary Ledger to reduce the unencumbered budget balance.)

At fiscal year-end, to record outstanding encumbrances as expenditures: The encumbrances charged to expenditures must meet criteria 5-0410.40, "VALID OBLIGATION CRITERIA."

Debit: 802 Expenditures $1,500 Credit: 803 Encumbrances $1,500
Encumbrances Subsidiary Ledger
XXX-XXX-XXXX-610 Supplies $1,500
(To charge unliquidated encumbrances as expenditures.)

The Reserve for Encumbrances account, which remains on the books after closing and shows the amount of unliquidated encumbrances, will be reported on the Balance Sheet as a fund balance reserve.

When the encumbrance is paid in the next fiscal year:

Debit: 953 Reserve for Encumbrances $1,500 Credit: 620 or 101 Warrants Payable or Cash $1,500
(To record a payment for an obligation which was encumbered for budgetary purposes in the prior year. The amount debited to the reserve must be the amount originally encumbered.)

5-0420.10 DIFFERENCES BETWEEN ENCUMBRANCE AND INVOICE AMOUNTS

Encumbrances are often recorded based on estimates of the cost of goods or services being purchased. Therefore, when an invoice is received in the current fiscal year for items encumbered in the prior year, it might be slightly greater or less than the amount originally encumbered. The accounting procedure for recording the payment of the encumbrance depends on the relative size of the difference between the amount encumbered and the amount paid.

Immaterial, or small, differences are to be charged to a current expenditure account or credited to the miscellaneous revenues account in the year of payment.

If differences are significant or material adjustments to expenditures or revenues, GAAP require special accounting treatment. As a general rule, the district should consider the difference between the amount encumbered and the invoice amount "material" if it is 5% or more of the anticipated ending fund balance of the affected fund. Consult your auditor or OPI for help in determining whether a difference should

considered material. **Material differences** are to be charged to expenditure object 892 Prior Period Expenditure Adjustments or credited to 6100 Prior Period Revenue Adjustments in the year of payment. Adjustments to these accounts are shown as adjustments to the beginning fund balance on the Trustees' Financial Summary and GAAP financial statements. They are not included in current revenues and expenditures. Adjustments recorded in object 892 must fall within the total budget of the affected fund.

To record the payment for an encumbrance for which the invoice price is slightly higher than the amount encumbered: Charge the current expenditure account for the difference. For example, assume the district encumbered $100 for equipment and the invoice received in the next year totalled $105 including freight.

Debit: 953 Reserve for Encumbrances $100
Debit: 802 Expenditures $5 Credit: 620 or 101 Warrants Payable or Cash $105
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate object $5
(To record payment for equipment encumbered in the previous year for which the invoice slightly exceeds the original encumbrance amount.)

To record the payment for an encumbrance for which the invoice price is slightly less than the amount encumbered: Credit the current Revenue account for the difference. For example, assume the $100 encumbrance was invoiced at $95.

Debit: 953 Reserve for Encumbrances $100
Credit: 402 Revenues $5 Credit: 620 or 101 Warrants Payable or Cash $95
Revenues Subsidiary Ledger
XXX-1900 Other/Miscellaneous Revenue $5
(To record payment for equipment encumbered in the previous year for which the invoice was lower than the original encumbrance amount.)

5-0420.10 DIFFERENCES BETWEEN ENCUMBRANCE AND INVOICE AMOUNTS (Cont'd)

To record the payment for an encumbrance for which the invoice cost is materially greater than the amount encumbered: For example, assume the district encumbered a purchase order for $400 for textbooks. The invoice cost is actually $40,000. The obligation was under encumbered in error. The excess expenditure must be charged to the current year's budget.

Debit: 802 Expenditures $39,600
Debit: 953 Reserve for Encumbrances $ 400 Credit: 620 or 101 Warrants Payable or Cash $40,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-640 Textbooks $39,600
(To record the payment for an encumbrance for which the invoice significantly exceeds the encumbered amount. The debit to the reserve is the amount originally encumbered. The credit to warrants payable or cash is the invoice amount.)

To record the payment for an encumbrance for which the invoice cost is materially less than the amount encumbered: For example, assume the district encumbered a $30,000 purchase order for desks which have not been received by June 30. The vendor can only supply part of the order. The invoice is for $300.

Debit: 953 Reserve for Encumbrances $30,000
Credit: 402 Revenue $29,700 Credit: 620 or 101 Warrants Payable or Cash $ 300
Revenue Subsidiary Ledger

XXX-6100	Material Prior Period Revenue Adjustments	$29,700

(To record the payment of an encumbrance for which the invoice cost is materially lower than the encumbered amount.)

5-0420.20 LIQUIDATION OF OUTSTANDING ENCUMBRANCES

Prior year encumbrances must be liquidated by June 30 of the following year.

To reverse immaterial prior year encumbrances which are outstanding but are no longer valid: For example, assume the district encumbered a purchase order for $1,500 at the previous fiscal year-end. The vendor went out of business and the order will not be filled. The amount is not considered material to the fund's balance.

Debit:	953	Reserve for Encumbrances	$1,500
Credit:	402	Revenues	$1,500
Revenue Subsidiary Ledger			
XXX-1900		Other/Miscellaneous Revenue	$1,500

(To reverse an immaterial prior year encumbrance which is no longer considered valid.)

To reverse material prior year encumbrances which are outstanding but are no longer valid: Assume the district encumbered $200,000 at the previous fiscal year-end for a construction contract to repair the roof. The repair is accomplished for only $150,000. The unliquidated encumbrance must be removed from the books.

Debit:	953	Reserve for Encumbrances	$200,000	Credit: 620 or 101	Warrants Payable or Cash $150,000
Credit:	402	Revenues			$ 50,000
Revenue Subsidiary Ledger					
XXX-6100		Material Prior Period Revenue Adjustments			$ 50,000

(To reverse a material prior year encumbrance which is no longer considered valid. The entire amount encumbered is removed from the books, the cash payment is recorded, and the excess is recorded as a prior period revenue adjustment. The balance of the 6100 account is shown on the Trustees' Financial Summary as an adjustment to beginning fund balance and is not included in current revenue.)

5-0500.00 INTERFUND ACTIVITY

5-0510.00 INTRODUCTION

Section 20-9-208, MCA, prohibits transfers between funds unless specifically provided by law. This section discusses how to account for each transfer allowed by law. The method used for accounting for a transaction between funds depends on the nature of the transaction. There are **four types of INTERFUND ACTIVITY**: a. Interfund Services – transactions between seller funds and purchaser funds. b. Interfund Transfers

-Residual Equity Transfers – nonrecurring or nonroutine transfer of equity between funds. Equity may or may not be returned by recipient fund.
-Operating Transfers-routine transfers for which there is no intent to return transferred funds to the originating fund.

c. Interfund Reimbursements – repayments from funds responsible for particular expenditures to the funds thatinitially paid for them.

d. Interfund Loans – Usually only used at fiscal year end by Montana school districts to eliminate cashoverdrafts.

INTERFUND ACTIVITY should generally be recorded with a journal voucher and letter to the county treasurer to explain the transaction instead of by issuing a warrant from one fund to another. This section explains the use and accounting methods for recording each type of interfund transaction.

5-0520.00 RECORDING INTERFUND ACTIVITY

5-0520.10 INTERFUND SERVICES

Interfund Services are cases where one fund type buys services or products from another fund type. These transactions would normally be treated as revenues, expenditures, or expenses if they involved organizations external to the school district. An interfund service should be reported as revenue in the selling fund and expenditure/expense in the purchasing fund.

Examples of Interfund Services in school districts are: a.

Internal Service Fund billings to departments.

b. Payment of health insurance premiums from General and Special Revenue Funds to a Self Insurance Internal Service Fund. Trustees may transfer unused employer contributions for self-insurance group coverage to the Self-Insurance Health Fund (78) to be used to offset losses or increase the fund's reserve (2-18-703, MCA).

5-0520.10 INTERFUND SERVICES TRANSFERS (Cont'd)

To record payment to another fund for services provided to the fund in a business-type transaction: For example, assume an internal service fund provides central computer services and the General Fund is charged $400 for computer services provided for the central office

.

Internal Service Fund (7X)

Debit:	101	Cash	$400

Credit: 402 Revenues $400
Revenues Subsidiary Ledger
X7X-1970 Services Provided to Other Funds $400
(To record the receipt of payment for services billed to another fund of the district. **NOTE: Revenue source 1970 is used only in Internal Service Funds**; other funds would record the revenue source code applicable to the type of revenues received.)

General Fund (01)
Debit: 802 Expenditures $400
Credit: 101 Cash $400
Expenditures Subsidiary Ledger
X01-XXX-XXXX-XXX Any appropriate expenditure object $400
(To record payment for services provided by the Internal Service Fund.)

5-0520.20 INTERFUND TRANSFERS - RESIDUAL EQUITY TRANSFERS (RET)

There are two types of interfund transfers: residual equity transfers and operating transfers. Operating transfers are discussed in 5-0520.30.

Residual Equity Transfers are nonrecurring or nonroutine transfers of equity between funds, including fund closures. This is done by recording a Residual Equity Transfer Out (XXX-999-9999-971) of the surrendering fund and a Residual Equity Transfer In (9710) into the receiving fund. The district must notify the County Treasurer of the reason for and the amount of the transfer.

Residual Equity Transfers allowed by Montana law and school accounting policy are as follows:

a. When all bonds, bond interest, and special assessments of any school district have been paid, all moneys remaining and amounts receivable in the debt service fund shall be transferred by the county treasurer and the school district to the building reserve fund, the technology fund, or the general fund of the school district providing the funds are used for constructing, equipping, or enlarging school buildings or purchasing land (20-9-443, MCA).
b. When establishing the non-operating fund, the trustees shall close each fund except for the debt service fund and miscellaneous programs fund to the non-operating fund (20-9-505, MCA and ARM 10.10.319).

5-0520.20 INTERFUND TRANSFERS - RESIDUAL EQUITY TRANSFERS (RET)

c. Any money realized by the sale of bonds and remaining to the credit of the building fund after the full accomplishment of the purpose for which the bonds were sold shall be transferred to the debt service fund to be used for the redemption of bonds of such issue (20-9-508(3), MCA).

d. Whenever the end-of-the-year cash balance of a lease or rental agreement fund is more than $10,000, such cash balance in excess of $10,000 shall be transferred to the general fund of the district. The term cash balance shall be construed to mean fund balance for the purposes of determining the proper amount of the residual equity transfer to the general fund (20-9-509, MCA).

e. Whenever the trustees of a district maintaining a bus depreciation reserve fund consider it to be in the best interest of the district to sell all of its buses and transfer any portion or all of the bus depreciation reserve cash balance to any other fund maintained by the district, it shall submit such proposition to the electors of the district. If the transfer is approved by the voters, the district shall record the transfer as a residual equity transfer (20-10-147(4), MCA).

f. Except for the Tuition and Debt Service Funds, whenever the trustees determine a fund used by the district is obsolete or no longer needed, they may close the fund into any fund considered appropriate by the trustees (20-9-201[3](a), MCA). If the tuition fund does not have a cash or fund balance overdraft, an inactive tuition fund must be closed to the district's miscellaneous programs fund.

g. If the trusteees determine that a Tuition Fund is obsolete and no longer needed, they must close the fund into the Miscellaneous Programs Fund (20-6-201, MCA).

h. When the bonds and bond interest have been fully paid, the trustees may transfer the balance of the Debt Service Fund to the General, Building Reserve, or Technology Funds, provided the money is spent for constructing, equipping, or enlarging school buildings or purchasing land for school purposes. (20-9-443, MCA)

To record a residual equity transfer: For example, to record a residual equity transfer of the balance of $370 remaining in a Debt Service Fund to the General Fund after all bonds and interest have been paid:

Debt Service Fund (50)

Debit:	802	Expenditures	$370
Credit:	101	Cash	$370

(To record transfer of remaining funds to the General Fund.)

Expenditures Subsidiary Ledger

X50-999-9999—971	Residual Equity Transfer Out	$370

General Fund (01)

Debit:	101	Cash	$370
Credit:	402	Revenues	$370

Revenues Subsidiary Ledger

X01-9710	Residual Equity Transfers In	$370

(To record transfer of remaining funds from the Debt Service Fund.)

The total of all Residual Equity Transfers In accounts must equal the total of all Residual Equity Transfers Out accounts. These accounts are closed to 970 Unreserved Fund Balance in governmental funds or 940 Unrestricted Net Assets in proprietary funds at fiscal year end.

5-0520.30 INTERFUND TRANSFERS - OPERATING TRANSFERS

Operating Transfers are routine transfers made without the intent to return transferred amounts to the originating fund. Unlike interfund services transfers, operating transfers do not involve revenues or expenditures/ expenses. Between funds of the same district, the transfer should be recorded using other financing sources account 5300 Operating Transfers from Other Funds in the receiving fund, and using other financing uses account 910 Operating Transfers Out in the paying fund.

The operating transfers allowed by Montana law are as follows:

a. Trustees may appropriate a portion of the General Fund end-of-the-year fund balance to establish a Compensated Absences fund (21). Such reserve shall not exceed 30% of the total school district liability for accumulated sick leave and vacation leave of non-teaching school district employees and administrative personnel on June 30 of the preceding school fiscal year (20-9-512, MCA). The high school district and elementary district must maintain separate Compensated Absences Funds.

b. General Fund (01) can transfer money, within the budget, to the Litigation Reserve Fund (27) if pending litigation might result in a judgement against the district. The amount held in the Litigation Reserve Fund can be used to pay settlements required as the result of law suits. The fund may not be used for costs of litigation, such as lawyer's fees, phone calls, filing fees, etc. When litigation is settled, the money must be transferred back to the General Fund. (MCA 20-9-515)

c. Impact Aid Fund (26) can transfer up to 25% of the Impact Aid money to the debt service fund (50) to pay bond principal and interest. (MCA 20-9-437 and 20-9-443)

d. Money from any fund except the Miscellaneous Programs Fund (15) can be transferred to the Interlocal Agreement Fund (82) to support an interlocal agreement between the school district and another governmental entity. (MCA 20-9-703)

e. A budget fund, other than the General, Debt Service, Retirement, or Bus Depreciation Funds, may transfer non-tax money to another budgeted fund of the district, except the General Fund. A transfer of tax money must be used for a purpose related to the purpose for which the tax was levied. (20-9208, MCA and ARM 10.10.320)

f. A non-budgeted fund may transfer cash to another non-budgeted fund of the district in order to improve efficiency of spending within the district. State and Federal grant money may not be transferred. (20-9-208, MCA and ARM 10.10.320)

To record an operating transfer between funds: For example, assume the district transfers $600 from the General Fund to the Compensated Absences Fund at fiscal year-end.

General Fund (01)

Debit:	802	Expenditures	$600
Credit:	101	Cash	$600

Expenditures Subsidiary Ledger

X01-XXX-6100-910	Other Financing Uses-Op. Trnsfrs Out	$600

Compensated Absences Fund (21)

Debit:	101	Cash	$600
Credit:	402	Revenues	$600

Revenues Subsidiary Ledger

X21-5300	Other Financing Sources-Transfers from Other Funds	$600

(To record operating transfer from the General Fund.)

NOTE: Charges to expenditure object 910-Operating Transfers and income credited to revenue source 5300Operating Transfers from Other Funds should balance at all times.

5-0520.40 INTERFUND REIMBURSEMENTS

Interfund reimbursements are repayments from funds responsible for particular expenditures to the funds that initially paid for them. If the reimbursement is made during the fiscal year in which the transaction occurred, the fund receiving the reimbursement records a reduction of expenditures and increase of cash, and the reimbursing fund records an expenditure and a reduction of cash. If the reimbursement is made in the fiscal year after the year the original expenditure was recorded (i.e., the books are closed), the fund receiving reimbursement records an increase in cash and an increase of miscellaneous revenue, and the reimbursing fund records a reduction of cash and a current expenditure. If the amount is material, the reimbursing fund records a prior period expenditure adjustment instead of a current expenditure.

The district must also send notification to the treasurer that the cash must be moved between funds and the reason the transaction must be made. All district transactions, including interfund reimbursements, must be properly documented in the accounting records of the district.

Examples of situations involving interfund reimbursements are:

— Correcting a coding error; for example, an expenditure paid from a special revenue fund should have been charged against the general fund;

— Distributing costs to proper funds after original payment.

To record a reimbursement of current year expenditures: For example, assume an expenditure of $25 was incorrectly recorded in the Transportation Fund instead of the General Fund. The Transportation Fund must reimburse the General Fund. The expenditure must be moved from the Transportation Fund to the General Fund.

Transportation Fund (10)

Debit:	101	Cash	$25
Credit:	802	Expenditures	$25

Expenditure Subsidiary Ledger

X10-XXX-XXXX-XXX	Any appropriate expenditure object	$25

(This entry should reduce the charges to the object originally charged in error.)
(To abate expenditures which should be recorded in the General Fund and receipt of cash moved from that fund.)

General Fund (01)

Debit:	802	Expenditures	$25
Credit:	101	Cash	$25

Expenditures Subsidiary Ledger

X01-XXX-XXXX-XXX	Any appropriate expenditure object	$25

(To record the expenditure which should be recorded in this fund.)

5-0520.40 INTERFUND REIMBURSEMENTS (Cont'd)

To record the reimbursement of an immaterial expenditure recorded in the prior year: For example, assume the district improperly charged $300 to the Miscellaneous Programs Fund in the prior year, and now needs to reimburse the deficit with General Fund money.

Miscellaneous Programs Fund (15)

Debit:	101	Cash	$300
Credit:	402	Revenues	$300

Revenue Subsidiary Ledger

X15-1900-XXX	Miscellaneous/Other Revenues	$300

(To record the immaterial decrease in prior expenditures, the district records miscellaneous revenue for the amount incorrectly charged to the Miscellaneous Programs Fund.)

General Fund (01)
Debit: 802 Expenditures $300
Credit: 101 Cash $300
Expenditures Subsidiary Ledger
X01-XXX-XXXX-XXX Any appropriate expenditure object $300
(To record the reimbursement of another fund for expenditures of a prior year which should have been paid from the General Fund. Immaterial amounts are charged to a current expenditure line item.)

To record the reimbursement of a material expenditure recorded in the prior year: For example, assume the district improperly charged $30,000 to the Miscellaneous Programs Fund in the prior year, and now needs to reimburse the deficit with General Fund money.
Miscellaneous Programs Fund (15)
Debit: 101 Cash $30,000
Credit: 402 Revenues $30,000
Revenue Subsidiary Ledger
X15-6100-XXX Material Prior Period Revenue Adjustments $30,000
(To record the material decrease in prior expenditures, the district records a prior period revenue adjustment for the amount incorrectly charged to the Miscellaneous Programs Fund. The adjustment recorded in the 6100 account will be shown on the Trustees' Financial Summary and on GAAP financial statements as an adjustment of beginning fund balance. Interfund reimbursements which involve grants should be identified using project reporters.)

General Fund (01)
Debit: 802 Expenditures $30,000
Credit: 101 Cash $30,000
Expenditures Subsidiary Ledger
X01-XXX-XXXX-892 Material Prior Period Expenditure Adjustments $30,000
(To record reimbursement of another fund for expenditures of a prior year which should have been paid from the General Fund. Adjustments recorded in the 892 account will be shown on the Trustees' Financial Summary and on GAAP financial statements as an adjustment to beginning fund balance and will not be included in current expenditures. Charges to 892 are subject to the total budget limitations of the fund.)

5-0520.50 INTERFUND LOANS

Interfund Loans are made whenever there is full intent for the borrowing fund to repay the lending fund. If there is no intent for repayment, then a residual equity transfer, if it can be legally made, should be recorded. Interfund loans are commonly used to solve temporary cash flow problems that can be encountered by a fund, and are preferable over outside lending sources because of interest savings for the school district.

Interfund loans are permitted to budgeted funds only. Nonbudgeted fund expenditures are limited in Section 20-9-210, MCA to the cash balance of the nonbudgeted fund. Therefore the cash balance of a nonbudgeted fund may not legally be overspent. Section 20-9-212, MCA requires the county treasurer to register warrants drawn on a budgeted fund only if there is insufficient cash in all funds of the district to pay the warrant. The treasurer will use available cash of any district fund to pay the warrant. This process is essentially a loan from one fund to a budgeted fund.

Recording interfund loans is suggested, but not required at this time, to clear cash overdrafts for funds at June 30. The entries to record the loan would be made at June 30 on the books of the district only and would be reversed immediately at the beginning of the next fiscal year. This practice allows the district to report the true cash position of the district at June 30 rather than showing negative cash balances in overdrawn funds. Recording the entries only on the district's records avoids the difficulty of affecting a change on the county treasurer's records.

Interfund loans should be coded using 160 Interfund Loans Receivable and 601 Interfund Loans Payable. Due to Other Funds and Due from Other Funds **should not be used** for interfund loans. These accounts should reflect receivables or payables between funds for goods or services.

To record an interfund loan: For example, assume the Transportation Fund has a June 30 negative cash balance of $1,200 and the General Fund has a cash surplus.

General Fund (01)

Debit:	160	Interfund Loans Receivable	$1,200
Credit:	101	Cash	$1,200

(To record an interfund loan to another fund. The county treasurer does not record this loan.)

Transportation Fund (10)

Debit:	101	Cash	$1,200
Credit:	601	Interfund Loans Payable	$1,200

(To record interfund loan from another fund. The county treasurer does not record this loan.)

After recording the entry, the Transportation Fund cash balance shown on the financial statements would be zero and the fund's balance sheet would show an interfund loan payable (liability).

At the beginning of the next fiscal year, to reverse the entries above to remove the loan from the district's books: Transportation Fund (10)

Debit:	601	Interfund Loans Payable	$1,200
Credit:	101	Cash	$1,200

(To reverse the interfund loan from another fund which was recorded at the previous fiscal year-end. This entry reduces the liability on the books to zero. The "loan" is actually a temporary use of another fund's balance to cover warrants issued on a budgeted fund which has an insufficient cash balance and is taken care of at the county treasurer's level. The county treasurer does not record this loan entry.)

General Fund (01)

Debit:	101	Cash	$1,200
Credit:	160	Interfund Loans Receivable	$1,200

(To reverse the interfund loan to another fund which was recorded at the previous fiscal year-end. This entry reduces the receivable to zero. The county treasurer does not record this entry.)

5-0520.60 QUESTIONS AND ANSWERS ON BUDGET AND CASH TRANSFERS– (cont'd)

Q: What funds cannot be transferred? What are restrictions on transfers?

A: Laws and administrative rules restrict transfers as follows:

1. The Retirement Fund (14) and the Debt Service Fund (50) cannot transfer money to another fund. The Retirement Fund is county money raised specifically for retirement costs and paid only from the Retirement Fund. The Debt Service Fund is local tax money raised to pay bonds and SIDs. (ARM 10.10.320) [NOTE: When all bonds and SIDs have been paid, the Debt Service Fund can be closed and the balance transferred to the Building Reserve Fund (61), the General Fund (01) or the Technology Fund (28) and used for building purposes. (MCA 20-9-443)]
2. Bus Depreciation Fund (11) can transfer money to any other fund only upon voter approval and only afterall buses owned by the district have been sold or otherwise disposed. (MCA 20-10-407) (ARM 10.10.320(4)) 3. Federal and state grants cannot be transferred. This would include, for example, Title I , IDEA, Drug Free Schools, Gifted and Talented, etc. Most grants are held in the Miscellaneous Programs Fund (15). (ARM 10.10.320)
4. Tax money cannot be transferred from a budgeted fund to a non-budgeted fund. (MCA 20-9-208)
5. Tax money can only be transferred from one budgeted fund to another budgeted fund if the tax money issubsequently expended for the same purpose or a related purpose to the purpose for which the taxes were levied. When tax money is transferred, the trustees' resolution must state the reason for which the taxes were raised and what the taxes will be used for. (ARM 10.10.320(6))
6. Money from a non-budgeted fund cannot be transferred to a budgeted fund. (MCA 20-9-208)

Q: Can tax money be transferred from one fund to another?

A: Except as restricted, tax money can be transferred from one budgeted fund to another budgeted fund if it is used for the same purpose or a related purpose to the reason for which the taxes were raised. A special hearing is required. Restrictions prohibit transferring money from Retirement Fund, Debt Service Fund, and General Fund. (ARM 10.10.320(6))

Q: When can budget authority be transferred?

A: If the district transfers cash from one budgeted fund to another, they can transfer an equal portion of the budget to the other fund. (ARM 10.10.320)

Q: What documentation and process is necessary for a transfer?

A: Any board action should be covered in the board's minutes. If a specific hearing is required, the board should resolve to hold the hearing and should comply with legal hearing requirements. Within 30 days of approving the transfer, the district must notify the Office of Public Instruction (OPI) in writing. (ARM 10.10.320(11))

Q: Can General Fund money be transferred to another fund?

A: No. MCA 20-9-208 prohibits transfers into or out of the General Fund unless school law specifically authorizes the transfer (see list above).

For the transfer of tax money between budgeted funds, the trustees' resolution must state the purpose for which the taxes were raised and the purpose for which the tax money will be spent, justifying how those purposes are the same or related. (ARM 10.10.320(6))

For the transfer of cash between nonbudgeted funds, the trustees' resolution must state specifically how the transfer will improve efficiency of spending within the district. (ARM 10.10.320(8))

5-0520.70 **TRANSFER MATRIX**

TRANSFER MATRIX *(DRAFT)*		TO BUDGETED FUNDS			TO NON-BUDGETED FUNDS		
		General (01)	Debt Service (50)	All Other Budgeted Funds*	Miscellaneous Programs (15)	Compensated Absences (21)	
FROM BUDGETED FUNDS	General (01)					MCA 20-9-512	
	Transportation (10)						
	Bus Depreciation (11)						
	Retirement (14)						
	Debt Service (50)						
	All Other Budgeted Funds* (see list below)						
FROM NON-BUDGETED FUNDS	Miscellaneous Programs (15) (Federal & State Grants)						
	Compensated Absences (21)	MCA 20-9-512 ARM 10.10.320(4)					
	Impact Aid (26)		MCA 20-9-437 and 20-9-443				
	Litigation Reserve (27)	MCA 20-9-515					
	All Other Non-Budgeted Funds** (see list below)						

* Other Budgeted Funds:
13 Tuition
17 Adult Education
19 Non-Operating
28 Technology
29 Flexibility
61 Building Reserve
45 Permanent Endowment
60 Building
70 - 72 Enterprise funds
73 - 80 Internal Service funds 80 - 85 Trust funds

**Other Non-Budgeted Funds
12 School Food Services
18 Traffic Education
20 Lease Rental Agreement
24 Metal Mines Tax Reserve
25 State Mining Impact

(SEE REVERSE SIDE FOR MORE INFORMATION)

= NOT ALLOWED

MCA 20-9-208 (2)(a)(ii) No transfers to or from General Fund, unless specifically authorized in law
ARM 10.10.320 (3) No transfers from Retirement Fund

ARM 10.10.320 (4) No transfers from Compensated Absences Fund to any fund other than the General Fund
ARM 10.10.320 (6) No transfers of any portion of Debt Service Fund, except to close the fund
ARM 10.10.320 (9) No transfers of cash received through state and federal grants
ARM 10.10.320 (11) No transfers from budgeted funds to non-budgeted funds, unless specifically authorized in law
MCA 20-9-208 (2)(a)(ii) No transfers from non-budgeted funds to budgeted funds, unless specifically authorized in law

= BUDGETED TO BUDGETED ALLOWED (see Note A)

ARM 10.10.320 (2) Public hearing and resolution required (document in board meeting minutes)
ARM 10.10.320 (7) Tax dollars transferred must be used for same purpose as original levy; non-tax dollars may be used for any purpose
ARM 10.10.320 (13) Notify OPI, County Superintendent, and County Treasurer within 30 days of transfer

= NON-BUDGETED TO NON-BUDGETED ALLOWED (see Note B)

ARM 10.10.320 (2) Public hearing and resolution required (document in board meeting minutes)
ARM 10.10.320 (10) Trustees' resolution must state specifically how transfer will be used to improve efficiency of spending ARM 10.10.320 (13) Notify OPI, County Superintendent, and County Treasurer within 30 days of transfer

= TRANSPORTATION FUND RESTRICTION

ARM 10.10.320 (8) State and county transportation aid not available for transfer to any other fund of the district

= BUS DEPRECIATION FUND RESTRICTION (see Note C)

MCA 20-10-147 (4) Must dispose of all buses and obtain voter approval to transfer
ARM 10.10.320 (5) When all buses are sold, may transfer any portion to any other fund contingent on voter approval ARM 10.10.320 (2)(g) No public hearing required after voter approval

5-0520.70 **TRANSFER MATRIX (cont'd)**

IMPORTANT REMINDERS:

- TRANSFERS SHOULD NOT BE USED TO CORRECT CODING ERRORS OR FUND DEFICITS!
  For example, if the School Food Services fund has a deficit, DO NOT transfer money from another fund to the School Food Services fund to correct it. Correct the coding of the expenditures by crediting expenditures in the School Food Services fund and debiting expenditures in the General, Impact Aid or Flexibility funds. Do not use the transfer codes.
- DON'T FORGET TO HAVE A PUBLIC HEARING!
  Unless specifically exempted in ARM 10.10.320 (2)(a) through (h), trustees are required to hold a properly noticed hearing to accept public comment on a transfer BEFORE the transfer can occur.
- DON'T FORGET TO NOTIFY OPI AND COUNTY OFFICIALS!
  Unless specifically exempted from a public hearing under ARM 10.10.320 (2)(a) through (h), ARM 10.10.320 (13) requires the district must notify OPI, and the County Superintendent and Treasurer IN WRITING within 30 days of approving the transfer. The notice must include a) the funds affected, b) the amount of budget authority and cash transferred, and c) the purposes for which the amount transferred will be used. OPI will accept a copy of approved board meeting minutes to satisfy this requirement provided all the information is included in the minutes.

NOTE A - TRANSFERS BETWEEN BUDGETED FUNDS

MCA 20-9-208 (2)(a)(i) Except as provided in subsection (2)(a)(ii), transfers may be made from one budgeted fund to another budgeted fund or between the final budget and a budget amendment for a budgeted fund whenever the trustees determine, in their discretion, that the transfer of funds is necessary to improve the efficiency of spending within the district or when an action of the trustees results in savings in one budgeted fund that can be put to more efficient use in another budgeted fund. Transfers may not be made with funds approved by the voters or with funds raised by a nonvoted levy unless the transfer is within or directly related to the purposes for which the funds were raised. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

ARM 10.10.320 (7) Except for the general fund, retirement fund, debt service fund, and bus depreciation fund, trustees may transfer: (a) 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; and (b) 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 purpose for which the funds will be used.

ARM 10.10.320 (12) 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.

NOTE B - TRANSFERS BETWEEN NON-BUDGETED FUNDS

MCA 20-9-208 (2)(b) Transfers may be made from one nonbudgeted fund to another nonbudgeted fund whenever the trustees determine that the transfer of funds is necessary to improve the efficiency of spending within the district. Transfers may not be made with funds restricted by state or federal law unless the transfer is in compliance with any restrictions or conditions imposed by state or federal law. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

ARM 10.10.320 (10) 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.

NOTE C - BUS DEPRECIATION FUND

In July 2003, OPI requested an Attorney General's Opinion on the interpretation of MCA 20-9-208 and 20-10-147, concerning closing district funds and transferring district funds. OPI interprets that trustees may not transfer money from a bus depreciation fund until the district has sold or otherwise disposed of all its buses and asked for voter approval for the transfer. This has been the opinion of the State Superintendent since that requirement was specifically amended into MCA 20-10-147 (4) during the 1997 Legislative Session. It is also the interpretation promulgated into ARM 10.10.320 (5). OPI will inform school districts when we receive notice of the Attorney General's opinion.

MCA 20-10-147 (4) 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.

ARM 10.10.320 (5) 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.

NOTE D - INTERLOCAL AGREEMENT FUND (a copy of the Interlocal Agreement must be filed with the Secretary of State's office.)

MCA 20-9-703 (1) When the prime agency is a district, it is authorized and required to establish a nonbudgeted interlocal cooperative fund for the purpose of the financial administration of the interlocal cooperative agreement. All revenues received, including federal, state, or other types of grant payments in direct support of the agreement and the financial support provided by cooperating agencies, shall be deposited in such fund. All financial support of the agreement contributed by a district designated as the prime agency may be transferred to the interlocal cooperative fund from any fund maintained by such district by resolution of the trustees. Any such transfer to the interlocal cooperative fund shall be used to finance those expenditures under the agreement which are comparable to those that are permitted by law to be made out of the fund from which the transfer was made and which are within the final budget for the fund from which the transfer was made. No transfer shall be made from the miscellaneous federal programs fund without the express approval of the superintendent of public instruction.

5-0520.80 **CLOSING FUNDS TRANSFER MATRIX**

CLOSING INACTIVE FUNDS *(DRAFT)*		TO								
		General (01)	Non-Operating (19)	Technology (28)	Building Reserve (61)	All Other Budgeted Funds*	Miscellaneous Programs (15)	Impact Aid (26)	All Other Non-Budgeted Funds**
FROM	Bus Depreciation (11)	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-9-505 ARM 10.10.319 (5)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**	**MCA 20-10-147 (4) ARM 10.10.319 (4)**
	Tuition (13)		**MCA 20-9-505 ARM 10.10.319 (5)**				**MCA 20-9-201(3)(b) ARM 10.10.319 (2)**		
	Debt Service (50)	**MCA 20-9-443 (1) ARM 10.10.319 (3)**		**MCA 20-9-443 (1) ARM 10.10.319 (3)**	**MCA 20-9-443 (1) ARM**			MCA 20-9-443 (2)	

				10.10.319 (3)				
All Other Budgeted Funds* (see list below)	MCA 20-9-201(3)(a)	**MCA 20-9-505 ARM 10.10.319 (5)**	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)
Miscellaneous Programs (15) (not state or federal money)	MCA 20-9-201(3)(a)		MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)		MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)
Compensated Absences (21)	**ARM 10.10.320 (4)**							
Litigation Reserve (27)	**MCA 20-9-515 (3)**							
Permanent Endowment (45)	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604	MCA 20-9-604
All Other Non-Budgeted Funds** (see list below)	MCA 20-9-201(3)(a)	**MCA 20-9-505 ARM 10.10.319 (5)**	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)	MCA 20-9-201(3)(a)

* Other Budgeted Funds:
01 General
10 Transportation
14 Retirement
17 Adult Education
19 Non-Operating
28 Technology
29 Flexibility
61 Building Reserve

**Other Non-Budgeted Funds
12 School Food Services
18 Traffic Education
20 Lease Rental Agreement
24 Metal Mines Tax Reserve
25 State Mining Impact
26 Impact Aid
60 Building
70 - 72 Enterprise funds
73 - 80 Internal Service funds
80 - 85 Trust funds

=
ALLOWE

D (MCA 20-9-201(3)(a))
Trustees may close an inactive fund to any fund considered appropriate, except as otherwise provided by law.

= NOT ALLOWED
PERMANENT ENDOWMENT FUND (MCA 20-9-604) Subject to conditions and requirements of the endowment instrument.

= RESTRICTIONS
BUS DEPRECIATION FUND (MCA20-10-147(4) and ARM 10.10.319(4))
BEFORE a transfer may be made, all buses must be sold or otherwise disposed of AND must obtain voter approval.
Trustees may transfer any portion to any other fund of the district contingent on voter approval. **TUITON FUND (MCA 20-9-301(b) and ARM 10.10.319(2))**
When trustees determine the Tuition fund to be inactive, they must close it into the Miscellaneous Programs fund. **NON-OPERATING FUND (MCA 20-9-505 and ARM 10.10.319(5))**
A district entering non-operating status shall close all funds, except Debt Service and Miscellaneous Programs to a single Non-Operating fund.
DEBT SERVICE FUND (MCA 20-9-443 and ARM 10.10.319(3))
All bond principal and interest, fees and all outstanding SIDs must be fully paid.
Must close to General (01), Technology (28), or Building Reserve (61) funds.
Must spend transferred funds on constructing, equipping, or enlarging school buildings or purchasing land needed for school purposes.
Must identify money transferred by assigning a project reporter code to track subsequent uses of the funds.
Any federal Impact Aid funds remaining must be transferred back to the Impact Aid (26) fund.
COMPENSATED ABSENCES FUND (ARM 10.10.320(4))
Trustees shall not transfer cash from the Compensated Absences fund to any fund other than the General fund.
LITIGATION RESERVE FUND (MCA 20-9-515(3))

Balance remaining in fund must be reverted back to General fund and used to reduce the district's general fund BASE budget levy requirement.

NOTE: Districts may not close a fund that has a cash or fund balance deficit to another fund.

Elementary funds close only to another elementary fund; high school funds close only to another high school fund.

State or federal grant money should not be closed to any other fund except by approval of the grantor agency.

5-0600.00 SUPPLIES

5-0610.00 INTRODUCTION

5-0610.10 DEFINITIONS

"Supplies" are items which:

(1) Are consumed in use, usually within one year; or
(2) Are expendable, that is, if the item is damaged or some of its parts are lost or worn out, it is more feasible to replace the item than to repair it; or
(3) Lose their identity through incorporation into a different or more complex unit or substance; or
(4) Have a cost which does not make it worthwhile to tag items, since the cost of tagging them would be a significant portion of the cost of the item; or
(5) Are relatively inexpensive, as compared to an item of equipment.

5-0610.20 BASIC ACCOUNTING PROCEDURES

GAAP requires that the supplies inventory be reported as an asset on the financial statements of governmental funds of an entity if the amount is significant. Districts may use one of two methods for accounting for supplies: (1) Purchases Method; or (2) Consumption Method. The methods are described in the following sections. **The district must use the chosen method consistently from year to year.**

The **Purchases Method** treats supply purchases as expenditures in the year the goods are received. The **Consumption Method** treats supply purchases as additions to inventory, and the cost of supplies is recorded as an expenditure in the year the supplies are used. Supplies may be considered to have been used or "consumed" in the year they are moved from the district's central supply storehouse into the area in which the supplies will be used.

Textbook and library book purchases are generally recorded using the purchases method. That means the expenditure is recorded the year the books are received. When material, most districts record the cost of books, computers, etc. as Supply Inventory and Reserve for Inventory on the Trustees' Financial Summary for governmental-type funds. Instead of reporting these assets as Supply Inventory, school districts may also capitalize these assets as groups and report them on the Fixed Asset Schedule.

OPI agrees with ASBO's recommendation that, if these items were purchased with debt proceeds, they should be capitalized as groups and added to the fixed assets inventory. This will make sure that the debt will be offset with the corresponding asset on the Statement of Net Assets.

Under either the Purchases Method or the Consumption Method, the district must record the fiscal yearend supply inventory as an asset on the accounting records if the amount is significant. Determining the amount to be considered significant is subject to the judgement of the district and its auditors. OPI suggests that a supply inventory value of 10% or more of current assets should be considered "significant." The value of the inventory, based on a physical count at June 30, is recorded as a reserve of fund balance at fiscal year-end under the purchases method. (NOTE: Notify your auditor of the date you plan to count inventories. The auditor may need to observe the count for the audit report on the financial statements.)

Districts require written requisitions for supplies when using the consumption method and perpetual/inventory system. Requisitions may also be required when districts use either method with a periodic inventory system. See the following discussion.

5-0610.30 VALUING THE SUPPLY INVENTORY

The value of the supply inventory will normally be determined based on the actual cost (specific cost) of the items on hand at fiscal year-end. Alternatively, districts may value inventories based on one of several cost flow assumptions, including first-in, first-out (FIFO), last-in, first- out (LIFO), or average cost. **Districts must use the chosen method consistently from year to year.**

The common valuation methods are listed below:

a. Specific Cost - Items on hand are valued at their actual costs.

b. First-In, First-Out (FIFO) - Items on hand are assumed to be the items of that kind most recently purchased. Items on hand are valued at the most recent cost.

c. Last-In, First-Out (LIFO) - Items on hand are assumed to be the earliest purchased items of that kind. Items on hand are valued at the earliest cost.

5-0620.00 METHODS FOR ACCOUNTING FOR SUPPLIES

5-0620.10 PURCHASES METHOD

Under the Purchases Method of recording supplies inventories the district will record an expenditure when the supplies are purchased.

Assume the beginning (i.e., July 1) inventory of supplies on hand is $450,000.

To record the purchase of supplies: For example, assume the district purchased $200,000 of supplies during the year. This entry would be made each time supplies are purchased.

Debit:	802	Expenditures	$200,000
Credit:	620 or 101	Warrants Payable or Cash	$200,000
Expenditures Subsidiary Ledger			
XXX-XXX-XXXX-610		Supplies	$200,000

(To record purchase of inventory.)

At year-end, to accrue the expenditure for supplies received but not paid for by June 30: For example, assume $1,500 of supplies are received but the invoice has not been paid at June 30.

Debit: 802 Expenditures $1,500 Credit: 621 Accounts Payable $1,500

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-610 Supplies $1,500

(To record an expenditure accrual for items received by June 30 for which the district has not paid.) **5-0620.10PURCHASES METHOD (Cont'd)**

At fiscal year-end, if the inventory amount on hand is significant, to record the supply inventory: For example, assume the inventory amount on hand on June 30 is $500,000, which is considered significant. The inventory balance at the previous fiscal year-end was $450,000. Assuming the balances of the 220 and 951 accounts carried over from the prior year, adjust the inventory account to the current fiscal year balance.

Debit: 220 Inventories for Consumption $50,000 Credit: 951 Reserve for Inventories $50,000

(To record the year-end supply inventory value on the purchases method. **If the inventory decreased**, adjust the inventory account balance by debiting 951 and crediting 220 for the amount of the decrease.)

To record the payment in July or August for the expenditure accrual:

Debit: 621	Accounts Payable	$1,500
Credit: 620 or 101	Warrants Payable or Cash	$1,500

(To record the payment for the accrued expenditures recorded the previous fiscal year-end. See section 5-0340.00, "RECORDING THE DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.")

5-0620.20 CONSUMPTION METHOD

Under the Consumption Method of recording inventories, the district will record an asset when the supplies are purchased. This method treats the acquisition of supply inventories as a conversion of financial resources rather than as a use of financial resources. Expenditures are recorded when supplies are consumed, or used in operations.

For simplicity, the entries shown in this section assume the initial inventory on the records is based on the physical inventory count on June 30, 20X1. For example, assume the 6/30/X1 balance of the supply inventory in the central storehouse is $38,000 Teaching and Instructional Supplies, $5,000 Administrative Supplies, $45,000 Custodial Supplies, and $12,000 Athletic Supplies. The supplies were purchased with General Fund money. The beginning inventory is $100,000.

Districts may record the expenditures for consumption of supplies once each year ("Periodic Inventory") or continually as supplies are requisitioned from the central supplies storehouse ("Perpetual Inventory"). Both methods are discussed below.

5-0620.21 CONSUMPTION METHOD—PERIODIC (ANNUAL) INVENTORY

Using the consumption method on a periodic inventory basis, the district will normally record the purchase of supplies as an expenditure but will adjust expenditures at year-end to reflect the amount of supplies used during the year.

To record the purchase of inventory: For example, assume $200,000 of supplies are purchased during the year.

General Fund (01)

Debit: 802	Expenditures	$200,000
Credit: 620 or 101	Warrants Payable or Cash Expenditures	$200,000

Subsidiary Ledger

X01-XXX-XXXX-610	Supplies	$200,000

(To record the purchase of inventory.)

To record supplies received but not yet paid for by June 30: For example, assume supplies were received and the invoice for $1,500 has not been paid by June 30.

General Fund (01)

Debit: 802 Expenditures $1,500 Credit: 621 Accounts Payable $1,500

Expenditures Subsidiary Ledger

X01-XXX-XXXX-610	Supplies	$1,500

(To accrue the expenditure for supplies received but not paid as of fiscal year-end.)

At fiscal year-end, make a physical count of unused supplies in the central storage area. Use the count to determine the cost of supplies used during the year. For example:

Beginning of the year inventory	$100,000

Plus Purchases	201,500
Total Available	$301,500
Less Ending Inventory (Based on year-end count)	($110,000)
Amount used this year	$191,500

At fiscal year-end, to adjust expenditures to equal the amount of inventory used during the year:

General Fund (01)

Debit: 220	Inventories for Consumption	$10,000
Credit: 802	Expenditures	$10,000

Expenditures Subsidiary Ledger

X01-XXX-XXXX-610	Supplies	$10,000

(To adjust expenditures to reflect the amount consumed during the year. The expenditures to date were $201,500. The amount used this year was $191,500, so expenditures were reduced by $10,000 in this entry. The beginning inventory account balance was $100,000. This entry increases the balance to $110,000, which is the correct ending inventory balance.)

5-0620.21 CONSUMPTION METHOD—PERIODIC (ANNUAL) INVENTORY (Cont'd)

At fiscal year-end, to adjust the fund balance reserve for inventories: Because inventories are an asset (even though they do not represent expendable resources) it is necessary to reserve fund balance by an amount equal to the carrying value of the inventories at fiscal year-end if the inventory amount is significant. For example, assume the ending inventory value is $110,000. The balance of the 951 account carried over from the prior year is $100,000 before adjustment.

General Fund (01)

Debit: 970 Unreserved Fund Balance $10,000 Credit: 951 Reserve for Inventory $10,000

(To adjust the fund balance reserve for inventory to equal the balance of the inventory 220 account. The adjustment amount is $10,000 ($110,000 ending inventory less $100,000 previous account balance). Debit account 970 for governmental funds and 940 for proprietary funds. If the inventory decreased, debit 951 and credit 970 or 940 for the amount of the decrease.)

To record the payment in July or August for the expenditure accrual:

General Fund (01)

Debit: 621	Accounts Payable	$1,500
Credit: 620 or 101	Warrants Payable or Cash	$1,500

(To record the payment for the accrual. This entry reduces the payable recorded at the previous fiscal yearend. See section 5-0340.00, "RECORDING THE DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.")

5-0620.22 CONSUMPTION METHOD—PERPETUAL INVENTORY

Using a perpetual inventory system, the inventory is recorded as an asset when purchased and as an expenditure when requisitioned from the central storage area. Inventory records are maintained and updated regularly during the year. This system has the advantage of providing information on a timely basis. However, it requires the maintenance of extensive perpetual inventory records. GAAP require that a physical inventory count be made periodically to check the accuracy of the perpetual inventory valuation.

To record the purchase of inventory: For example, assume $200,000 of supplies are purchased during the year. General Fund (01)

Debit: 220	Inventories for Consumption	$200,000
Credit: 620 or 101	Warrants Payable or Cash	$200,000

When supplies are consumed (requisitioned from central storage area) during the year:

General Fund (01)		
Debit: 802	Expenditures	$191,500
Credit: 220	Inventories for Consumption	$191,500
Expenditures Subsidiary Ledger		
X01-XXX-XXXX-610	Supplies	$191,500

(To record the expenditure for supplies consumed, or issued to the area in which they will be used.) **5-0620.22CONSUMPTION METHOD—PERPETUAL INVENTORY (Cont'd)**

To record supplies received but not yet paid for by June 30: For example, assume supplies were received and the invoice for $1,500 has not been paid by June 30.

General Fund (01)

Debit: 220 Inventories for Consumption $1,500 Credit: 621 Accounts Payable $1,500

(To record the cost of supplies received but not paid as of fiscal year end.)

At fiscal year-end, make a physical count of unused supplies in the central storage area. Use the count to verify the ending inventory value shown on the accounting records. For example:

Beginning of the year inventory	$100,000
Plus Purchases	201,500
Total Available	$301,500
Amount used this year	($191,500)
Ending Inventory	$110,000

During the year, requisitioned supplies costing $191,500 were recorded as expenditures when issued. The expenditures balance does not need adjustment because it accurately reflects the amount of supplies used during the year. The balance of the inventory account equals the beginning inventory of $100,000 plus the purchases of $200,000 recorded as inventory, plus the addition of $1,500 for the expenditure accrual. The inventory balance in the account therefore matches the ending inventory of $110,000.

At fiscal year-end to adjust the fund balance reserve for inventories: Because inventories are an asset (even though they do not represent expendable resources) it is necessary to reserve fund balance by an amount equal to the carrying value of the inventories at fiscal year-end if the inventory amount is significant. For example, assume the reserve account has a balance of $100,000 carried over from the prior year before adjustment.

General Fund (01)		
Debit: 970	Unreserved Fund Balance	$10,000
Credit: 951	Reserve for Inventory	$10,000

(To record a fund balance reserve in the amount of ending inventory. Debit account 970 for governmental funds. Proprietary funds don't use reserve for inventory. The adjustment amount is $10,000 ($110,000 ending inventory value less $100,000 beginning reserve account balance.)

To record the payment in July or August for the expenditure accrual:

Debit: 621	Accounts Payable	$1,500
Credit: 620 or 101	Warrants Payable or Cash	$1,500

(To record the payment of an accrual. This entry reduces the liability. See section 5-0340.00, "RECORDING

THE DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.")

5-0700.00 PREPAID EXPENSES

5-0710.00 INTRODUCTION

5-0710.10 DEFINITIONS

"Prepaid expenses" are payments made during a fiscal year which apply to benefits to be received in a subsequent fiscal year. Prepaid expenses are assets which are gradually consumed or used over time and can be converted back to cash. The items recorded as prepaid expenses are usually regularly recurring costs of operations. For example, prepaid rent and unexpired insurance premiums, including workers' compensation insurance premiums and comprehensive liability and fire insurance premiums, are items to be classified as prepaid expenses.

5-0710.20 BASIC ACCOUNTING PROCEDURES

Prepayments are recorded as assets when paid and are expensed over time by recording an expenditure each fiscal year for the amount of the related benefits received that year. The expenditure is normally recorded once a year at year-end closing for convenience. This method is called the "consumption method" of recording prepaid items. Alternatively, the district may record prepayments as expenditures when paid, then make adjustments at fiscal year-end to reflect the correct expenditure and prepaid expense (asset) balances. The two methods will provide the same account balances for reporting purposes and are shown below.

Items that constitute prepayments, but will not be recorded as such include maintenance agreements on equipment (if the annual cost is not material), subscriptions for periodicals, dues for organizations such as MASBO and School Administrators of Montana, travel advances, and small purchases usually under $25 which a vendor requires to be paid in advance. The district will record those payments as expenditures when the warrants are written.

The purchase of textbooks and supplies should never be recorded as a prepaid expense. Record the expenditure as discussed in 5-0600 Supplies. Textbooks may be, but are not required to be, recorded as fixed assets. See 5-1200 Fixed Assets.

5-0720.00 RECORDING PREPAID EXPENSES

Method 1: Prepayment recorded as an asset when paid.

For example, assume the district purchases an insurance policy which covers 2 years beginning December 1 for $24,000. The amount of expenditure to record for each month is $24,000 divided by 24 months = $1000.

To record the payment for a prepaid expense:

Debit: 240	Prepaid Expenses	$24,000
Credit: 620 or 101	Warrants Payable or Cash	$24,000

(To record the asset and the payment for a contract lasting beyond the current fiscal year.)

5-0720.00 RECORDING PREPAID EXPENSES (Cont'd)

At fiscal year-end, to record an expenditure for the amount of prepaid expense which expired this year: For the first year, December through June 30, the expenditure is 7 months X $1000 = $7000.

Year 1

Debit: 802 Expenditures $ 7,000 Credit: 240 Prepaid Expenses $ 7,000

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Any appropriate object for insurance $ 7,000

(To record at fiscal year end, or periodically during the year, if needed, the portion of the prepaid asset which was used in the current period. That portion is recognized as an expenditure of the current period. The unused asset portion remains on the books as a prepaid expense until consumed in a subsequent period.)

At the end of year 2, when the second year of the prepaid expense has expired: The entry for year 2 of the contract would record 12 months X $1000 = $12,000 as expenditures and reduction of the asset.

Year 2

Debit: 802 Expenditures $12,000 Credit: 240 Prepaid Expense $12,000

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Any appropriate object for insurance $12,000

(To record the portion of the prepaid asset "used" during the period by reducing the asset balance and recording the expenditure.)

At the end of year 3, when the last portion of the prepaid expense has expired: The entry for year 3 of the contract would record 5 months X $1000 = $5000 as expenditures and reduction of the asset. The asset would be reduced to zero.

Year 3

Debit: 802 Expenditures $5,000 Credit: 240 Prepaid Expense $5,000

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Any appropriate object for insurance $5,000

(To record the portion of the prepaid asset "used" during the period.)

Method 2: Prepayment recorded as an expenditure when paid, then adjusted at year-end.

To record the payment for a prepaid expense during Year 1:

Debit: 802 Expenditures $24,000

Credit: 620 or 101 Warrants Payable or Cash $24,000

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Any appropriate object for insurance $24,000

(To record the asset and the payment for a contract lasting beyond the current fiscal year.)

5-0720.00 RECORDING PREPAID EXPENSES (Cont'd)

At fiscal year-end of Year 1, to adjust expenditures to equal the amount of prepaid expense applicable to the current year: For the first year, December through June 30, the expenditure is 7 months X $1000 = $7000. Reduce current expenditures to equal that amount.

Year 1
Debit: 240 Prepaid Expenses $17,000 Credit: 802 Expenditures $17,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate object for insurance $17,000
(To record the prepaid asset of $17,000 ($24,000 less $7,000) and to reduce the expenditures to reflect the amount of prepayment applicable to the current year.)

ALTERNATIVELY, THE PRECEDING TWO ENTRIES COULD BE COMBINED: When the warrant is issued to pay the premium, the portion of the payment applicable to the current year may be recorded as an expenditure. The portion applicable to subsequent years should be recorded as an asset using 240 Prepaid Expenses. Year 1
Debit: 802 Expenditures $ 7,000 Debit: 250 Prepaid Expenses $17,000
Credit: 620 or 101 Warrants Payable or Cash $24,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate expenditure object $ 7,000
(To record the payment for insurance premiums covering a three year period. Whether the preceding two entries or this combined entry are used, the following entries will be recorded.)

At the end of year 2, when the second year of the prepaid expense has expired: The entry for year 2 of the contract would record 12 months X $1000 = $12,000 as expenditures and reduction of the asset.
Year 2
Debit: 802 Expenditures $12,000 Credit: 240 Prepaid Expense $12,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate object for insurance $12,000
(To record the portion of the prepaid asset “used” during the period by reducing the asset balance and recording the expenditure.)

At the end of year 3, when the last portion of the prepaid expense has expired: The entry for year 3 of the contract would record 5 months X $1000 = $5000 as expenditures and reduction of the asset. The asset would be reduced to zero.
Year 3
Debit: 802 Expenditures $5,000 Credit: 240 Prepaid Expense $5,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Any appropriate object for insurance $5,000
(To record the portion of the prepaid asset “used” during the period.)

5-0800.00 VOIDED, CANCELED, AND REPLACEMENT WARRANTS

5-0810.00 DEFINITIONS

A **"voided warrant"** occurs when a district determines a warrant which has not been released to a payee is not valid. The warrant must be in the possession of the district to be voided. A warrant may be voided without board authorization. Generally, a warrant is voided if an error was made in writing it.

A **"canceled warrant"** occurs when a district determines a warrant which was previously issued is not valid. The board must authorize cancellation of a warrant. A warrant may be canceled even if the warrant is not in possession of the district. Generally, a warrant is canceled if it was lost, is stale dated, or was issued in payment for goods which were returned to the vendor. A canceled warrant is often followed by a replacement warrant.

A board of trustees may cancel a warrant which has been issued for at least one year, however the district's liability for payment of a contractual obligation does not terminate until the time specified in law (20-9-223, MCA). The contractual obligation generally continues for 8 years if based on an instrument in writing. See 272-201, MCA.

A **"replacement warrant"** is usually issued to replace an original warrant lost by the payee. The first warrant is usually canceled by the board and a replacement warrant issued.

5-0820.00 HOW TO VOID A WARRANT

To void a warrant:

1. Mark the warrant "Void;"

2. If it was already recorded in the payroll or claims fund, adjust the clearing fund as necessary to reduce the cash and warrant payable accounts;

3. Increase the cash in the fund which recorded the payment originally. Reduce the expenditure account originally charged;

4. If the warrant has been included in a prior month's transfer to the payroll or claim fund, notify the county treasurer to make a journal voucher entry to adjust the county records and return the funds to the original fund.

5. If your county requires voided warrants to be submitted to the county treasurer's office to be filed with the paid warrants, send the warrant to that office. Voided warrants must be retained for audit.

6. Be sure to show the warrant as “Void” in the List of Warrants included in the Minutes. A voided warrant should not appear on the list of unpaid outstanding warrants.

5-0830.00 HOW TO CANCEL A WARRANT

To cancel a warrant:

1. IF A PAYROLL OR CLAIMS FUND WAS USED: Adjust the clearing fund to reduce the cash and warrant payable account. If the warrant will not be replaced, return the cash to the fund which recorded the payment originally. Notify the treasurer to transfer the cash back to the paying fund. See #3 below.

2. If the warrant was issued in the current year, reduce the expenditure account originally charged. If written in a previous fiscal year, record as revenue 1900 Miscellaneous Revenue if immaterial, or 6100 Prior Period Revenue Adjustment, if material.

3. Notify the county treasurer in writing that the warrant was canceled. Include the warrant number, amount, fund, date of warrant, and reason for cancellation.

4. Be sure to delete the canceled warrant from the list of unpaid outstanding warrants.

5. If a replacement warrant is needed, see 5-0830.20.

5-0830.10 RECORDING A CANCELED WARRANT (WITHOUT A REPLACEMENT WARRANT)

To record the cancellation of a warrant issued in the CURRENT year without issuing a replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)
Debit: 620 Warrants Payable
Credit: 101 Cash
(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure
Debit: 101 Cash
Credit: 802 Expenditures
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To increase cash and reduce current year expenditures in the fund originally charged for the canceled warrant.) **5-0830.10 RECORDING A CANCELED WARRANT (W/O REPLACEMENT WARRANT) (Cont'd)** B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure
Debit: 620 Warrants Payable
Credit: 802 Expenditures
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged
(To increase cash and reduce current year expenditures in the fund originally charged for the canceled warrant.)

To record the cancellation of a warrant issued in a PRIOR FISCAL YEAR without issuing a replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)
Debit: 620 Warrants Payable
Credit: 101 Cash
(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure
Debit: 101 Cash
Credit: 402 Revenues
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure
Debit: 620 Warrants Payable
Credit: 402 Revenues
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE

CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

5-0830.20

RECORDING A CANCELED WARRANT (WITH A REPLACEMENT WARRANT)

Administrative Rule 10.10.307 provides the following:

(1) When a replacement warrant is issued to replace a lost warrant as provided in section 7-7-2104, MCA, or a canceled warrant as provided in section 20-9-223, MCA, the following rules shall apply:

(a) The original warrant shall be removed from the unpaid outstanding warrant list.

(b) The word "duplicate" and phrase "replacement warrant for warrant no. _____" shall be plainly printed across the face of the warrant.

(c) The school district shall send the county treasurer a letter, including the original indemnity bond (see 5-0830.30) if required, stating which warrant number has been lost or canceled and which warrant number has been issued to replace the lost or canceled warrant.

(d) The amount of the replacement warrant shall be shown on the list of warrants issued for the month but shall not be included in the total of the warrants issued or in the amounts transferred to the clearing accounts.

Most schools need only to reissue a replacement warrant with a typewriter and send a letter to the county treasurer identifying the replacement warrant and the previously issued warrant being replaced. It is very important to remove the original warrant from the list of unpaid outstanding warrants. **However, depending on the school's computer software program the following entries may have to be made:**

To record the cancellation of a warrant issued in the CURRENT year and issue replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

The process explained here reverses the original entries and allows a replacement warrant to be issued through the normal warrant process.

Payroll Clearing Fund (86) or Claims Clearing Fund (87)
Debit: 620 Warrants Payable
Credit: 101 Cash
(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure
Debit: 101 Cash
Credit: 802 Expenditures
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged
(To move cash back to this fund from the clearing fund and reduce current year expenditures for the canceled warrant.)

RECORDING A CANCELED WARRANT (WITH REPLACEMENT WARRANT) (Cont'd)

Fund which recorded the expenditure

5-0830.20

Debit: 802 Expenditures
Credit: 101 Cash Expenditures
Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged
(To record the warrant written to replace the canceled warrant.)

Payroll Clearing Fund (86) or Claims Clearing Fund (87)
Debit: 101 Cash
Credit: 620 Warrants Payable
(To transfer cash to the clearing fund and record the warrant payable. If the replacement warrant was issued in the same month the original warrant was canceled for the same amount, there is no need to notify the county treasurer of the transactions in the clearing fund.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure
Debit: 620 Warrants Payable
Credit: 802 Expenditures
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged
(To increase cash and reduce current year expenditures for the canceled warrant.)

Fund which recorded the expenditure
Debit: 802 Expenditures
Credit: 620 Warrants Payable
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-XXX Expenditure line item originally charged
(To record the warrant written to replace the canceled warrant.)

To record the cancellation of a warrant issued in a PRIOR FISCAL YEAR and issue a replacement warrant:

This process assumes the clerk can write a warrant against 402 Revenue (1900 Miscellaneous Revenue or 6100 Prior Period Revenue Adjustments). If unsure, contact your computer vendor to determine how to write warrant to replace a canceled warrant issued in a prior period.

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)
Debit: 620 Warrants Payable
Credit: 101 Cash
(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

5-0830.20

Fund which recorded the expenditure
Debit: 101 Cash
Credit: 402 Revenues
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

Fund which recorded the expenditure
Debit: 402 Revenues
Credit: 101 Cash
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To record the warrant written to replace the canceled warrant. This entry assumes a warrant can be written against a revenue account. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL and the previous entry used 6100 revenue, write the replacement warrant against 6100 Prior Period Revenue Adjustments.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure
Debit: 620 Warrants Payable
Credit: 402 Revenues
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

Fund which recorded the expenditure
Debit: 402 Revenues
Credit: 101 Cash
Revenue Subsidiary Ledger
1900 Miscellaneous Revenue
(To record the warrant written to replace the canceled warrant. This entry assumes a warrant can be written against a revenue account. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL and the previous entry used 6100 revenue, write the replacement warrant against 6100 Prior Period Revenue Adjustments.)

5-0830.30 INDEMNITY BOND FOR LOST OR DESTROYED WARRANT

KNOW ALL MEN BY THESE PRESENT, that we, _____ _____ of , as Principal, and _____ and _____ of _____ , as Sureties, are held and firmly bound unto ___ County, Montana, in a sum of _____ Dollars ($) to be paid to the Treasurer of County, Montana, for which payment, well and truly to be made, we bind ourselves and our heirs, executors and administrators, jointly and severally, firmly by these presents.

The condition of this obligation is such that whereas a certain Warrant No. of County, Montana, Dated , 20 , in the sum of ($) payable to is alleged to have been lost or destroyed.

That sufficient proof having been made that the said Warrant has been lost or destroyed, a duplicate of such warrant has been issued to the owner or holder thereof, which said duplicate is to take the place, in order of registration and payment, of such original warrant.

NOW, if the said obligors shall well and truly save harmless and indemnify the County from all loss, costs, or damages, by reason of the issuing of the duplicate, and if the said obligors will pay to any person entitled to receive the same, as the lawful holder of the original warrant, all moneys received upon such duplicate, then this obligation to be void, otherwise to remain in full force and effect.

Dated this day of , 20 _____
.
Principal

*Note: Signature of each Surety required in two places _____
Surety

_____ Surety

STATE OF MONTANA)
) ss,
COUNTY OF)

and the sureties name in the foregoing Indemnity Bond, being first duly sworn, each for himself and not for the other, deposes and says that he is responsible and a householder or freeholder, within the State of Montana, and is worth the amount fixed as the penalty of the said bond, over and above all his just debts and liabilities, exclusive of property exempt from execution.

_____
Surety

_____
Surety

SUBSCRIBED AND SWORN TO before me this day of , 20 .

_____
Signature of person authorized to take oaths

_____
Typed, stamped, or printed name of person authorized to take oaths

_____
Official Title (e.g., Notary Public for the State of Montana, Clerk of District Court, etc.)

Residing at_____
(city or town of residence)

SEAL

My Commission Expires_____, 20___

(Note: This bond should be double the amount of the warrant alleged to have been lost or destroyed.)

5-0900.00 INVESTMENTS

5-0910.00 INTRODUCTION

5-0910.10 DEFINITIONS

"Short Term Investment Pool (STIP)" is a pooled investment fund operated by the Montana Board of Investments. Districts may contact the Board of Investments for more information at (406) 444-0001.

"Repurchase agreement" is a contract that specifies the minimum and maximum amount of public money that the board of trustees will invest in securities that the financial institution will sell to the board and mutually agree to repurchase them at a later date. A repurchase agreement is not a demand account. (7-6213(2) and(3), MCA)

5-0910.20 BASIC REQUIREMENTS

Trustees have a fiduciary responsibility to invest the school district's money in investments with terms most advantageous to the district. (20-9-213 and 20-9-604, MCA)

Authorized Investments
The Board of Trustees may direct the county treasurer to invest public money which is not needed for immediate use:

a. In savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state (20-9-213, MCA);
b. In a repurchase agreement as authorized in 7-6-213, MCA;
c. With the state unified investment program (STIP) established in 17-6-204, MCA;
d. With a local or county investment pool formed under 20-9-511, MCA (A.R.M. ;
e. In an investment account established under 20-9-235, MCA;
f. In eligible securities as authorized in 7-6-202, MCA.

The investment program of a district should:

a. Be aggressive in order to provide the maximum interest income to the district;
b. Be approved and directed by the board of trustees;
c. Be made on a timely basis subject to withdrawal in amounts necessary and without penalty;
d. Obtain the highest yield possible within the limits of the law;
e. Ensure safety of investments; and
f. Include a register including all investing activities.

Investments must be redeemed as necessary to cover expenditures and payments. A fund that has an investment balance should never have a deficit cash balance. If this situation appears imminent, a portion or all of the investments should be redeemed.

County Treasurer's Responsibilities
The county treasurer should:
a. Invest the funds within 3 (three) working days (20-9-212, MCA);
b. Obtain sufficient security from financial institutions to ensure safety and prompt payment of the investments and interest earned on investments; and
c. Credit principal and interest to the fund that made the investment.

5-0910.20 BASIC REQUIREMENTS (Cont'd)

Investment Register

The district's investment register should include:

a. Date of purchase;

b. Number of the county treasurer's warrant issued in payment;
c. Fund(s) making investment;
d. Description of investment;
e. Identification number of investment;
f. Maturity date;
g. Face value;
h. Premium paid or discount on purchase;
i. Net cost (Book value);
j. Interest received on investment;
k. County treasurer's receipt number covering deposit of interest; and
l. Date of sale or redemption of investment.

For STIP investments, the district's investment register should include:
1. Date of transaction;
2. Nature of transaction (purchase, sale, income distribution, etc.);
3. Number of units involved;
4. Unit fair value;
5. Total fair value;
6. Unit accrued interest purchased;
7. Total accrued interest purchased;
8. Unit selling price;
9. Total investment balance (total fair value plus total accrued interest purchased);
10. Gain or loss;11. Interest earned; and
12. Receipt number.

Interest

All interest collected on the deposits or investments must be credited to the fund from which the money was withdrawn, except that interest earned on account of the investment of money realized for the sale of bonds must be credited to the debt service fund or the building fund, at the discretion of the board of trustees (20-9213(4), MCA).

The placement of the investment by the county treasurer is not subject to ratable distribution laws and must be done in accordance with the directive from the board of trustees (20-9-213(4), MCA).

Investment of Federal Moneys
Federal regulations require entities which receive federal financial assistance to follow procedures to minimize the time elapsed between the transfer of funds to them and the disbursement of the funds. Generally, the time elapsed between the transfer of Federal money to the district and the disbursement should be from three (3) to five (5) days. OPI grants are advanced to districts on the 10th of the month to cover expenditures through the 10th of the following month. Districts are not allowed to keep excessive federal cash.
Interest earned on Federal money in excess of $100 must be refunded to the grantor. See Section 9 of this manual.

5-0920.00 RECORDING INVESTMENT ACTIVITY

Investment of State and Local Moneys
Interest earned on state and local money must be deposited in the fund which earned the interest and should be spent for the same purposes as the money which earned the interest. Section 20-9-235, MCA, requires interest on general fund deposits be allocated for district property tax reduction.

5-0920.10 STATE SHORT-TERM INVESTMENT POOL (STIP)

Investments may be made through the State Short-Term Investment Pool (STIP) (20-9-213 and 17-6-204, MCA).

When STIP investments are purchased at any time other than the last business day of the month, the purchaser must pay an additional amount equal to the interest that has accumulated or accrued on the units since the last income distribution. The fair value and the accrued interest purchased must be accounted for separately in order to make a proper accounting for the money invested. The accrued interest purchased is written off when the investment is redeemed or upon the first distribution date, whichever comes first.

Example: On July 12, 20XX, 100 STIP units were purchased with the Transportation Fund:

	Per Unit	Total
Fair Value (Principal)	$100.00 X 100 Units	$10,000.00
Accrued Interest Purchased	3.27 X 100 Units	32.70
Total	103.27 X 100 Units	$10,032.70

To record the purchase of STIP units:

Transportation Fund (10)

Debit: 111 Investments	$10,000.00
Debit: 115 Accrued Interest Purchased	$32.70
Credit: 620 or 101 Warrants Payable or Cash	$10,032.70

(To record the purchase of STIP units.) On the date of the next income distribution, the last business day of each month, July 31, 20XX, the accrued interest purchased would be returned together with interest earned from the date of purchase.

To record the receipt of interest income on STIP investments: For example, assume the interest received was $68.90. Transportation Fund (10)

Debit: 101 Cash $68.90
Credit: 115 Accrued Interest Purchased $32.70 Credit: 402 Revenue $36.20

Revenue Subsidiary Ledger
X10-1510 Interest Income $36.20

(To record the receipt of income on investments. This entry reduces the accrued interest purchased account to zero.)

5-0920.10 STATE SHORT-TERM INVESTMENT POOL (STIP) (Cont'd)

At fiscal year-end, to record the interest earned but not received by June 30: For example, assume the interest distribution on the last business day of the month of June was June 28. The district's interest income on the STIP units of the Transportation Fund for the last two days of June was $165. (NOTE: If the accrued interest for a fund is less than $100, do not accrue the amount as shown in this entry. This entry will be rare since several days of interest income on a fund's investment will be immaterial for most districts.)

Transportation Fund (10)

Debit: 114 Interest Receivable	$165
Credit: 402 Revenue	$165

Revenue Subsidiary Ledger
X10-1510 Interest Income $165

(To record interest earned but not received in cash by June 30.)

In the next year, to record the receipt of the July interest payment: For example, assume the July interest distribution to the Transportation Fund, which includes $165 earned on June 29 and 30, totals $2500.

Transportation Fund (10)

Debit: 101 Cash	$2500
Credit: 114 Interest Receivable	$165
Credit: 402 Revenue	$2335
Revenue Subsidiary Ledger	
X10-1510 Interest Income	$2335

(To record receipt of interest on STIP investments. This entry reduces the receivable to zero and records the revenue earned in the current fiscal year.)

5-0920.20 REPURCHASE AGREEMENTS

Districts may direct the county treasurer to invest the public money of the district in repurchase agreements. When the county invests in repurchase agreements, the county maintains, in the same financial institution contracting for the repurchase agreement, a demand account into which daily deposits are made in amounts equal to the day's disbursements. The deposit is the proceeds of the redemption by the financial institution of securities previously purchased by the county under the provisions of the contract. The balance in the demand account is zero at the end of each business day (7-6-213(4), MCA).

The district will not record the investments purchased by the county repurchase agreement. The district will record the interest distributed to each fund used to purchase the investment.

To record interest earned on repurchase agreements:

Debit: 101 Cash	$100
Credit: 402 Revenue	$100
Revenue Subsidiary Ledger	
XXX-1510 Interest Income	$100

5-0920.30 COUNTY INVESTMENT PROGRAM

A school district may participate in a unified county investment program. The district must enter into an interlocal agreement or notify the county treasurer in writing that the board of trustees, by resolution, directs the treasurer to include the district in the program. Interest distribution is based on the percentage of school district monies within the total amount invested. In lieu of an average daily cash balance method to distribute interest earnings, the average monthly balance is encouraged: beginning cash balance of a fund + the ending cash balance of a fund / 2 = average monthly cash balance.

The county may charge a fee to cover the cost of maintaining the investment program. Record the receipt of interest income as shown above for repurchase agreements. Charge any administration fee paid to the county treasurer's office to function 2513 Receiving and Disbursing Fund Services and expenditure object 860 Agent Fees as follows:

Debit: 101	Cash	$1,000
Debit: 802	Expenditure Control	$ 10
Credit: 402	Revenue Control	$1,010
Revenue Subsidiary Ledger		
XXX-1510	Interest Income	$1,010
Expenditure Subsidiary Ledger		
XXX-1XX-25XX-860		$ 10

The county investment program may be the most secure and efficient way to maximize investment earnings.

5-0920.40 INVESTMENT ACCOUNTS

Section 20-9-235, MCA, allows school districts to establish investment accounts outside the county treasurer 's control with companies complying with the provisions of Title 30, Chapter 10. These accounts may be spending accounts using checks or electronic payments. See Appendix F for the Administrative Rules concerning investment accounts. Due to the additional time, effort ,and risk, school districts should expect additional audit expense when using investment accounts. Investment accounts, particularly

spending accounts, require monthly reconcilement along with the usual reconcilement with the county treasurer. A formal written agreement with the county treasurer is required to establish an investment account. Investment accounts shift the responsibility for assuring that public deposits are adequately protected from the county treasurer to the school district.

5-0920.50 GAINS/LOSSES ON INVESTMENTS

Schools and cooperatives currently report their investments at cost. Effective June 30, 1998, GASB 31 requires certain investments to be reported at fair value rather than at cost. Investments which may still be reported **at cost** include: savings accounts, non-negotiable certificate of deposits, and shares with the Short Term Investment Pool (STIP). Investments which must be reported **at fair value** include: Fannie MAE's, Freddie MAC's, open end money market mutual funds, and repurchase agreements collateralized with long term investments subject to the fair value provisions of GASB 31. Most schools are not involved in these types of investments.

[See Appendix E for a comprehensive list of investments which should be reported at cost or fair value.]

The county treasurer, broker, or bank holding district investments will provide a report of the fair value of investments as of June 30. The difference between the fair value of investments at the beginning of the year and at the end of the year is an "unrealized" (i.e., paper) gain or loss. If the investment is subject to GASB 31, report the net unrealized gain or loss and report the investment at its current fair value.

5-0920.50 GAINS/LOSSES ON INVESTMENTS (cont'd)

Report the sum of [cash plus investments at fair value] on Line 1 "Cash & Investments Less Warrants Payable 620" of the Trustees' Financial Summary balance sheet. Use revenue source 1530 to report net "unrealized" gains or losses due to changes in fair value.

- Revenue account 1530 Net Increase (Decrease) in the Fair Value of Investments was previously called "Gain/Loss on Sale of Investments."
- School districts and cooperatives should avoid using revenue source 1510 Investment Earnings to report unrealized gains or losses because of possible adverse budget impacts. Revenue source 1510 Investment Earnings should be used for realized revenue from investments. That is, use it to report net profit or loss when the investment is sold.

GASB 31 requires a comparison of current fair value to the fair value LAST year end. In the year of implementation, restate investments at the beginning of the year to fair value on that date. For example, investments reported at cost on 6/30/X0 must be restated to fair value at that date. Compare that value to fair value at 6/30/X1. The Local Government Services Division recommends schools and cooperatives report gains and losses from the restatement of the beginning investment balance using revenue source 6100 Prior Period Revenue Adjustments. [See example on next page.]

Schools and cooperatives should use asset account 111 Investments to report investments purchased at cost and asset account 112 Increases and Decreases in the Fair Value of Investments to report temporary net gains and losses in fair value. The sum of accounts 111 and 112 represents the fair value of investments. School districts and cooperatives may establish these accounts at year-end on their records.

County Treasurers

County treasurers should issue June 30th reports as soon as possible after the close of the fiscal year and not later than July 10. If there are any delays in determining the fair value of investments or in determining each school district's or cooperative's share of an external investment pool, county treasurers should issue reports showing investments at cost so school districts can complete the budget process as prescribed by law. County treasurers should then issue revised reports of investments at fair value at a later date in order for school districts and cooperatives to adjust financial statements for audit purposes.

Material Gains or Losses

Please call OPI to discuss questions or potential impacts on the general fund budget if your school district experiences a material gain or loss (5% of total fund assets),

5-0920.50 GAINS\LOSSES ON INVESTMENTS (Cont'd)

IMPLEMENTING GASB 31

Example	Purchase	6/30/X0 Reporting	6/30/X1 Reporting
Investments at Cost	$100,000	$100,000	$100,000
Investments at Fair Value	$102,000	$106,000	$107,000

6/30/X0 Reporting:

Accounting Entry (any appropriate fund)

Debit: 111 Investments (6/30/X0 fair value - cost) $6,000
Credit: 402 Revenue $6,000

Revenue Subsidiary Ledger

XXX-1530 Net Increase(Decrease) in Fair Value of Invstmnts (6/30/X0 fair value - beginning fair value) $4,000

XXX-6100 Prior Period Rev Adjustment (only for 1st yr of GASB31, purch. fair value - purch. cost) $2,000

6/30/X0 Reporting on Trustees' Financial Summary

On Balance Sheet:

"Line 1 Cash and Investments Less Warrants Payable 620" $106,000 (mkt) On

Schedule of Revenues, Expenditures and Changes in Fund Balance:

XXX-1530 Net Increase(Decrease) in Fair Value of Investments $4,000

XXX-6100 Prior Period Revenue Adjustment (only for implementation of GASB31) $2,000

Prior Year Fair Value $ 102,000 1st Year Fair Value $ 106,000

Net Increase in Fair Value $4,000

6/30/X1 Reporting:

Accounting Entry (any apporpriate fund)

Debit: 111 Investments $1,000 Credit: 402 Revenue $1,000

Revenue Subsidiary Ledger

XXX-1530 Net Increase(Decrease) in Fair Value of Investments $1,000

Reporting on Trustees' Financial Summary

Balance Sheet:

"Line 1 Cash and Investments Less Warrants Payable 620" $107,000

On Schedule of Revenues, Expenditures and Changes in Fund Balance:

1st Year Fair Value $ 106,000

2nd Year Fair Value $ 107,000 Net Increase in Fair Value $1,000

Effect:

Increase in value of investments on Balance Sheet is $7,000, which matches total unrealized gain shown on Schedule of Revenues, Expenditures, and Changes in Fund Balance.

5-1000.00 SHORT-TERM LOANS

5-1010.00 INTRODUCTION

5-1010.10 DEFINITIONS

"Short-term loans" are obligations which are to be repaid within one year of the date issued. They may include loans from the Board of Investments and tax anticipation notes payable obtained by the district to provide operating cash pending receipt of revenues, or to finance a specific project or purchase.

"Long-Term Loans" are obligations which must be repaid later than one year after the loan is made. See "NOTES/LONG-TERM LOANS" in section 5.1340.00 of this manual.

"Interfund Loans" see section 5.0520.50 of this manual.

5-1020.00 RECORDING SHORT-TERM LOANS

Short-term loans are loans with repayment terms of less than 12 months. They are usually for cash flow purposes. When repaid, the liability is reversed on the district's accounting records. Proceeds from short-term loans are **not** Other Financing Sources, and the repayment is **not** an Other Financing Use.

Assume the district borrows $20,000 on September 1 for building improvements to be repaid within one year. Interest on the loan is 10% and will be paid when the loan is paid. Interest on short-term loans is recorded as an interest expenditure in the accounting period in which the liability is incurred. This means that interest expense on a short-term loan borrowed during the current year which will be repaid in the next fiscal year must be recorded as a payable, if material, at fiscal year-end.

To record receipt of a short-term loan:
Fund Which Receives Proceeds
Debit: 101 Cash $20,000 Credit: 650 Loans Payable (Current) $20,000
(To record receipt of a short-term loan. Do not record as revenue.) The

payable remains a liability of the fund until the loan is repaid.

At fiscal year-end, to record the liability for interest expense on the loan: Calculate the interest payable from the date of the loan through June 30. In this case, 10 out of 12 months of interest is payable by fiscal year-end. The interest payable amount is ($20,000 X .10) X 10/12 **=** $1,667.

Fund Which Received Proceeds		
Debit: 802	Expenditures	$ 1,667
Credit: 656	Interest Payable-Current	$ 1,667
Expenditures Subsidiary Ledger		
XXX-1XX-52XX-850	Interest Expense	$ 1,667

(To record interest payable at year-end on a short-term note payable.)

5-1020.00 RECORDING SHORT-TERM LOANS (Cont'd)

To record the payment of a short-term loan (whether paid in same fiscal year or next fiscal year):

Fund Which Received the Proceeds			
Debit:	650	Loans Payable	$20,000
Debit:	656	Interest Payable-Current	$ 1,667
Debit:	802	Expenditures	$ 333
Credit:	620 or 101	Warrants Payable or Cash Expenditure	$22,000
Subsidiary Ledger			
XXX-1XX-52XX-850		Interest Expense	$ 333

(To record repayment of a short-term loan, with interest. The loan payable is reversed from the payable account at the principal amount. Interest is charged as a current expenditure.)

5-1100.00 PETTY CASH, CASH CHANGE, AND INTERIM DEPOSITORY ACCOUNTS

5-1110.00 DEFINITIONS

"Petty Cash Account" is a sum of money set aside for the purpose of paying small obligations for which issuing formal district warrants would be too expensive or time consuming.

"Cash Change Account" is a sum of money set aside for the purpose of providing change for concessions, lunch sales, etc.

"Interim Depository Accounts" are bank accounts used to temporarily hold cash collections until the cash can be deposited with the county treasurer.

5-1120.00 AUTHORIZED BANK ACCOUNTS AND DEPOSITORIES

As provided by sections 20-9-212 and 20-9-504, MCA, the county treasurer is the custodian and depository of all school district moneys except student extracurricular funds. Other bank accounts or depositories outside the county treasurer are limited to petty cash accounts, interim depository accounts for school lunch or driver's education fees, investment accounts, and gifts or endowments if such accounts are required by the donor. The county treasurer is required to be the custodian for all other school district moneys, including gifts, donations, endowments, interlocal agreements, direct federal or state revenues, and district administered selfinsurance programs. (ARM 10.10.306)

Districts should maintain a complete list of accounts held for petty cash purposes and any bank accounts used for other district purposes. Auditors should be made aware of all such funds.

5-1130.00 BASIC ACCOUNTING PROCEDURES FOR PETTY CASH ACCOUNTS

Petty cash accounts should be limited to the amount needed to cover purchases allowed from the account, as evidenced over time. If the district discovers the account balance exceeds normal usage, excess cash should be redeposited to the fund from which it came. The proper investment and safeguarding of cash is a basic responsibility of the district management.

A petty cash account used for purchases should not be commingled with a cash change account used to provide coin and currency needed to conduct cashiering or similar operations.

Any petty cash account FOR PURCHASES should be operated on the **"imprest cash" system**. An imprest cash account consists of moneys withdrawn from a fund held by the county treasurer to be used for relatively small purchases. Imprest means that the fund remains at a constant authorized amount at all times with either cash or receipts totalling to the authorized amount. The cash is kept either on hand or in a separate bank account. Examples of reasonable uses include purchases of less than $25, freight charges, postage costs, and other purchases requiring immediate cash as a means of payment.

5-1130.00 BASIC ACCOUNTING PROCEDURES FOR PETTY CASH ACCOUNTS (Cont'd)

In the imprest system for handling minor disbursements, an authorized fixed amount is placed in a petty cash fund. As disbursements are made, receipts are obtained and petty cash vouchers are prepared. At any time, the total of cash on hand plus petty cash vouchers must equal the authorized amount for the petty cash fund. Periodically, the receipts and petty cash vouchers are attached to a claim for reimbursement. The reimbursement should return the amount of cash in the account to the authorized balance. The reimbursement warrant should be charged to the applicable funds and budget items based on the disbursement made, as evidenced by receipts and petty cash vouchers. An imprest cash account should be reimbursed at fiscal year-end to accurately reflect current year expenditures.

The following procedures are suggested for proper management and accounting control over petty cash accounts used for purchases:

1. Petty cash funds should be relatively small in amount.
2. Checks should require dual signatures.
3. Petty cash checks should not be made to "cash."
4. Checks from other sources should not be cashed using petty cash funds.
5. The only deposits made to the petty cash fund should be warrants issued to the petty cash custodian to reimburse the fund. Other miscellaneous receipts should not be deposited to the petty cash fund.
6. An accounting record of all petty cash transactions should be maintained. Every reimbursement from the fund to the petty cash account should be by receipts signed by the payee, invoices, or petty cash vouchers for minor items attested to by the petty cash custodian for this purpose.

A cash change account should not be commingled with a petty cash account used for purchases. The responsibility for a change account should be assigned to an account custodian.

5-1140.00 RECORDING PETTY CASH ACCOUNT TRANSACTIONS

To record the establishment of the petty cash fund, or to increase an existing fund: For example, assume the district establishes a petty cash fund for $200 in the current year.
General Fund (01)
Debit: 103 Petty Cash $200 Credit: 620 or 101 Warrants Payable or Cash $200 (To record establishment of a petty cash fund or to increase an existing petty cash fund.) **5-1140.00 RECORDING PETTY CASH ACCOUNT TRANSACTIONS (Cont'd)**

If the district established a cash account in a prior year: For example, assume the district established a petty cash account for purchases several years ago by issuing a warrant for $100 and changing expenditures from the General Fund. The establishment of a petty cash account should not be recorded as an expenditure. Since prior year expenditures cannot be reduced after the budget has lapsed, record the correction to the prior year, and establish the petty cash account in the accounting records of the district, by recording the following entry.
General Fund (01)
Debit: 103 Petty Cash $100 Credit: 402 Revenue $100

Revenue Subsidiary Ledger

X01-6100	Prior Period Revenue Adjustments	$100

(To record the petty cash account, established in a prior year by charging expenditures. The balance of the 6100 account is reported as an adjustment to beginning fund balance on the Trustees' Financial Summary and GAAP financial statements.)

To record the closure of a petty cash account, or to permanently decrease the account: Close the cash balance into the fund from which the petty cash fund was established.

General Fund (01)

Debit: 101	Cash	$200
Credit: 103	Petty Cash	$200

(To record the return of cash from an abolished petty cash fund, or to reduce the amount held in a petty cash fund.)

To record the reimbursement of the cash in the petty cash fund: Record the expenditure in the fund to which the expenditure applies. For example, assume the $200 petty cash fund has spent $185 since it was last reimbursed. Of the $185 spent, $100 applies to General Fund expenditures and $85 applies to the Transportation Fund.

General Fund (01)

Debit: 802	Expenditures	$100
Credit: 620 or 101	Warrants Payable or Cash Expenditures	$100
Subsidiary Ledger		
X01-XXX-XXXX-XXX	Various appropriate budget line items	$XXX

Transportation Fund (10)

Debit: 802	Expenditures	$ 85
Credit: 620 or 101	Warrants Payable or Cash Expenditures	$ 85
Subsidiary Ledger		
X10-XXX-XXXX-XXX	Various appropriate budget line items	$XXX

(To record the expenditures originally paid using petty cash. Charges to various line items will equal the debit to expenditures. A PETTY CASH ACCOUNT SHOULD BE REIMBURSED PERIODICALLY, AND MUST BE REIMBURSED AT FISCAL YEAR-END TO PROPERLY REFLECT CURRENT YEAR EXPENDITURES.)

5-1200.00 FIXED ASSETS

5-1210.00 INTRODUCTION

5-1210.10 DEFINITIONS

"Fixed assets" are:

(1) Tangible property items,
(2) That have initial useful lives exending beyond a single reporting period,
(3) Of significant value, and
(4) Used in conducting the government's activities.

They include land and improvements, buildings, machinery, furniture, vehicles, and other equipment which the district intends to hold or continue to use over a long period of time. "Fixed" indicates the intent for long-term use, not the immobility of an asset. Fixed assets are reported on the financial statements as "capital assets."

Fixed assets acquired with governmental funds are accounted for as capital expenditures and coded in the 700 expenditure object series. Assets associated with governmental funds that are received through donation are considered fixed assets even though they are not recorded as capital expenditures. Fixed assets acquired with proprietary or fiduciary funds that are recorded as assets when purchased (capitalized).

"Schedule of Changes in Fixed Assets, Depreciation and Net Fixed Assets (SCFA)" is used to account for all fixed assets of the disrict related to the governmental and proprietary funds. Depreciation by function for the current year and accumulated depreciation by fixed asset category are also reported here.

"Capitalization" is the process of recording an item as a fixed asset. Payment for the item is a capital outlay when purchased from a governmental funds and an asset when purchased from a proprietary or fiduciary fund.

"Depreciation" is the loss in value or service life of fixed assets because of wear and tear through use, lapse of time, inadequacy or obsolescence. Accounting for depreciation means recording an asset's gradual loss in value as depreciation expense over the useful life of the asset.

Land and Construction in Progress are not depreciated. Depreciation for governmental fund assets are recorded on the SCFA. Depreciation for the current year is listed by function on the SCFA. Accumulated depreciation for Land Improvements, Buildings, and Machinery and Equipment are also reported on the SCFA. Depreciation for proprietary and fiduciary funds continues to be recorded within the funds as in past years.

"Book Value" is the cost of an asset less salvage value less accumulated depreciation.

"Net Fixed Assets" is the total cost of all asset categories less total salvage value less total accumulated depreciation.

"Infrastructure assets" are land improvements such as roads, curbs, gutters, sidewalks, lighting systems, and similar assets that are immoveable and of value only to the district.

"Depreciable Cost" is the acquisition cost of a fixed asset less its estimated salvage value.

5-1210.20 PURPOSE

Fixed asset accounting is required because it provides management control over safeguarding a significantly valuable investment, determining necessary insurance coverage, formulating acquisition and retirement policies, and reporting accurate data on financial reports.

5-1210.30 BASIC ACCOUNTING PROCEDURES

GAAP requires that purchases of fixed assets be recorded as expenditures in the governmental funds which purchased the assets and also recorded as assets in the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA). Fixed assets purchased by a proprietary or fiduciary fund are not recorded as expenditures in those funds. GAAP requires that fixed assets purchased by a proprietary or fiduciary fund be recorded as assets ("capitalized") when purchased and gradually expensed by recording depreciation over a period of time. On the Trustees Financial Summary, all fixed assets and related depreciation will be reported on the SCFA.

Capitalization Policy: The district should establish written capitalization policies. Because the administrative costs of keeping fixed asset inventory records in detail might outweigh the benefits of management control if all items were recorded as fixed assets, OPI recommends the district **record: land, buildings, building improvements, machinery, furniture, and other equipment which cost $5,000 or more and have a useful life of more than one year as fixed assets**. In addition, Federal grant regulations require the district to capitalize assets purchased using federal moneys at $5,000 or more. Similar items purchased together, or items to be used as one system, which total $5,000 in aggregate should also be capitalized. Using these guidelines, items costing less than $5,000 would not be recorded as fixed assets (i.e., capitalized), but their cost would be recorded as an expenditure under minor equipment, supplies, etc. Inventory records may be established and maintained for control or insurance purposes for items under $5,000, but the cost for items under $5,000 should not be recorded as fixed assets on the SCFA. OPI's recommended capitalization policy of $5,000 is optional. The district may set any lower amount for the capitalization policy but may not set a higher limit.

Depreciation information for all fixed assets acquired with governmental, proprietary, or fiduciary funds will be reported on the SCFA. Depreciation for assets acquired with proprietary and fiduciary funds must also be recorded within these funds as in past years.

Computer software is a long-term intangible asset representing the right to use the software. Since fixed assets are generally defined as tangible property items, software is usually not, but may be, capitalized.

Sale of Fixed Assets purchased with non-federal funds is governed by Section 20-6-603 and 20-6-604, MCA. Generally, assets may be sold or otherwise disposed of 14 days after notice to the public. Any taxpayer may appeal the resolution to dispose of the assets in district court. Section 20-6-204, MCA provides the proceeds from the sale may be deposited to the debt service fund, building fund, general fund, or other appropriate fund at the discretion of the trustees. See pages 5-1200-19/21 for a sample resolution and public notice.

Please check with the OPI State and Federal Grant Handbook for guidelines to dispose of assets purchased with state or federal grant funds.

5-1210.40 SCHEDULE OF CHANGES IN FIXED ASSETS

SCHOOL DISTRICT _____
SCHEDULE OF CHANGES IN FIXED ASSETS, DEPRECIATION AND NET FIXED ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2XXX

	Beginning Balance	Additions	Removals	Ending Balance
GOVERNMENTAL ACTIVITIES: *				
Land				
Land Improvements				
Buildings				
Machinery & equipment				
Construction in progress				
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements				
Buildings				
Machinery & equipment				
Total accumulated depreciation				
Governmental activities, capital assets, net				
BUSINESS-TYPE ACTIVITIES: **				
Land				
Land Improvements				
Buildings				
Machinery & equipment				
Construction in progress				
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements				
Buildings				
Machinery & equipment				
Total accumulated depreciation				
Business-type activities, capital assets, net				

Depreciation by Function for FY20XX	Governmental Activities	Business-type Activities
Instruction (1XXX)		
Support Services (22XX)		
General administration (23XX)		
School administration (24XX)		
Financial administration (25XX)		
Operations and maintenance (26XX)		
Transportation (27XX)		
Food Service (31XX)		
Extracurricular (34XX, 35XX)		
Unallocated		
Total depreciation for FY20XX		

* **Governmental activities** are usually reported in the general, special revenue, debt service, capital projects, permanent, and internal service funds. These funds are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

** **Business-type activities** are usually reported in the enterprise funds. These funds are financed in whole or in part by fees charged to external parties for goods and services.

5-1220.00 FIXED ASSET INVENTORY RECORDS

School districts were required to establish and maintain fixed asset inventory records by June 30, 1993. (ARM 10.10.407) The fixed asset inventory system should consist of a ledger of assets.

Ledgers should contain information sufficient to identify the item and facilitate accounting for the purchase, depreciation (if applicable), and disposal of the item. Records should include description/model number, serial number, date of purchase, cost, inventory number, estimated useful life, function/department, and additions of any accessories or attachments which added value to the item. Records of fixed assets which are retired from use, sold, or traded should be adjusted to show the reduction to zero value but should be retained for audit. The form of the inventory ledgers is not mandated, but a suggested format is included in section 6-0100, Fixed Asset Ledgers."

OPI recommends the district record general fixed assets in the Fixed Assets Depreciation Schedule or some other auditable means of tracking. Districts may choose to record additions and deletions to fixed assets using the worksheet in section 6-0140.00, "Schedule of Fixed Asset Additions" and 6-0150.00 "Schedule of Fixed Asset Removals."

The district may record any property items owned by the district on its asset ledger. For example, minor equipment items, such as video cameras, may be recorded in the ledger for management control. The capitalization policy would then be used to determine which assets from the inventory ledgers would be capitalized in the Fixed Assets Depreciation Schedule for reporting on the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA).

5-1230.00 COST OF FIXED ASSETS

Fixed assets should be recorded at cost or if donated, at their estimated fair market value at the time of receipt. If reliable historical cost records are not available, it is necessary to estimate the historical cost. The intent of this procedure is to estimate, as reasonably as possible based on available information, the fair market value of the item when it was acquired; it is not necessary to spend excessive resources in ascertaining exact historical cost if records are no longer available. See section 5-1260.50, "HOW TO ESTABLISH THE FIXED ASSET INVENTORY RECORDS."

Fixed assets for fiduciary and proprietary funds are recorded in 5 categories. Costs to capitalize in each category are:

a. Land (General Ledger Account 311)--purchase price, costs such as legal and title fees, appraisal and negotiation fees, damage payments, site preparation costs (clearing, filling, leveling), demolition of unwanted structures, and any other costs of preparing the site for its intended use. If acquired as a gift, land should be recorded at its appraised value at the time it was acquired.

b. Land Improvements (General Ledger Account 321)--site improvements such as fences, retaining walls, sidewalks, pavement, gutters. Because these improvements decrease in their value/usefulness over time, it is appropriate to depreciate these assets over their estimated useful life.

c. Buildings and Improvements (General Ledger Account 331)--purchase price, contract price, professional fees of architects, attorneys, appraisers, financial advisors, etc.; construction insurance premiums, interest and related costs incurred during the construction process; and any other costs of putting the building or structure into its intended state of operation. If acquired as a gift, the appraised value of the building should be capitalized. Also capitalize costs of building improvements such as fixtures (carpeting, ceiling and floor tile, plumbing and electrical systems, etc.) which are permanently attached to the building.

If constructed by district personnel instead of independent contractors, only the costs of materials used in construction or building improvements should be capitalized.

"Infrastructure" assets, such as sidewalks, streets, parking lots, and fences are not required to be capitalized. (1987 Codification 1400.109)

d. Machinery and Equipment (General Ledger Account 341)--purchase price before trade-in allowance, minus discounts, plus transportation charges, installation costs, taxes, or other costs incurred to put the equipment into its intended state of operation.

e. Construction Work in Progress (351)--represents a temporary capitalization of labor, materials, equipment, and overhead of a construction project. Upon completion of construction, accumulated costs are cleared or moved by transfer to another fixed asset classification (e.g., buildings). See section 5-1400.00, "CONSTRUCTION IN PROGRESS."

5-1230.10 ESTIMATING THE COST OF FIXED ASSETS

If historical cost information for an asset is no longer available, the district will have to estimate the cost of the asset. The following calculation uses consumer price index information to deflate the estimated current cost of an item to the estimated cost when acquired.

Step 1. Determine the conversion factor.

$$\text{Conversion Factor} = \frac{\text{CPI for the Year the Item Was Acquired}}{\text{Current Year CPI}}$$

(See Appendix C for CPI-Consumer Price Index)

Step 2. Calculate the estimated cost.

$$\text{Estimated Historical Cost} = \text{Current Cost} \times \text{Conversion Factor}$$

Documentation of the source of the fixed asset's current cost and the actual or estimated year the asset was acquired should be maintained by the district for audit purposes. Records should indicate that an item's cost was estimated.

5-1240.00 DEPRECIATION

Accounting for depreciation means recording an asset's gradual loss in value as depreciation expense over the useful life of the asset. An asset is "fully depreciated" when depreciation expense which has been recorded equals the original cost less salvage value.

Procedures for recording depreciation depend on the nature of the asset. Depreciation is recorded in proprietary funds and fiduciary funds but is not normally recorded in governmental funds. Land and Construction in Progress are never depreciated. However, GASB 34 requires reporting of net fixed assets and depreciation expense on the financial statements. All fixed assets and related depreciation will be reported to OPI on the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA) on the Trustees' Financial Summary.

GAAP allows a district to use a depreciation method which systematically and rationally allocates the cost of a depreciable asset over its estimated useful life. Straight-line, sum-of-the-years'-digits, and double declining balance depreciation are considered acceptable methods. Once a depreciation method is put into use, it should be consistently applied. Straight-line depreciation is the simplest acceptable method and is recommended by OPI for use by districts.

The straight-line depreciation method expenses the same amount each year of the asset's estimated useful life. The cost of the asset, less any dollar value estimated to be recoverable at the end of the asset's useful life ("salvage value"), is allocated equally over the asset's useful life. Straight-line depreciation is calculated as follows:

$$\frac{\text{Cost - Salvage Value}}{\text{Useful Life}} = \text{Depreciation Expense each year of the Useful Life}$$

For example, assume a machine which cost $7,500 will probably be used 7 years and will probably be sold at that time for $500. The cost is $7,500, the useful life is 7 years, and the estimated salvage value is $500. Depreciation expense is calculated:

$$\frac{\$7,500 - \$500}{7} = \$1,000 \text{ each year for 7 years}$$

The depreciation expense recorded each year would be $1,000.

5-1240.10 RECORDING DEPRECIATION

The following examples show how to record annual depreciation in the various funds.

Governmental Funds
Depreciation recorded on the Depreciation Schedule and reported on the SCFA.

Proprietary and Fiduciary Funds
Debit: 802 Expenditures $1,000 Credit: 322, 332, or 342 Allowance for Depreciation $1,000
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-750 Depreciation Expense $1,000

5-1250.00 RECORDING FIXED ASSETS

5-1250.10 GOVERNMENTAL FUNDS

An asset which was purchased from governmental funds and which meets the capitalization criteria set by the district (e.g. over $5,000) must be recorded on an asset inventory ledger such as a Fixed Asset Depreciation Schedule. Record the capital expenditure for the asset in the fund which purchased the asset.

To record the purchase: For example, assume a vehicle was purchased by the General Fund for $20,000.

General Fund (01)		
Debit: 802	Expenditures	$20,000
Credit: 620 or 101	Warrants Payable or Cash	$20,000
Expenditures Subsidiary Ledger		
X01-XXX-XXXX-7XX	Property and Equipment Acquisition	$20,000

Record descriptive information on an asset inventory ledger. An example is shown in section 6-0100 of this manual.

To record sale of fixed assets: For example, assume the vehicle which cost $20,000 is sold for $1,000. The original expenditure was made from the General Fund. NOTE: According to Section 20-6-604, MCA, proceeds from the sale of property must be deposited in the General Fund, Debt Service Fund, or building Fund, or other appropriate fund of the district, at the discretion of the board of Trustees. See pages 5-1200-19/21 for sample resolution and public notice to sell real and personal property.

The asset should also be removed from the SCFA and adjusted on the fixed assets inventory ledger to reflect the disposal. Retain the ledger card after asset disposal for audit purposes.

General Fund (01)		
Debit: 101	Cash	$1,000
Credit: 402	Revenues	$1,000
Revenue Subsidiary Ledger		
X01-5200	Other Financing Sources-Sale or Compensation for Loss of Fixed Assets	$1,000

(To record the receipt of cash revenue from the sale.)

To record disposal of an asset with no cash involved (retirement): For example, assume the vehicle which cost $20,000 is to be retired.

An adjustment should be made on the SCFA and the fixed asset inventory ledger to indicate the vehicle is no longer in use. Retain the ledger card after asset disposal for audit purposes.

To record a purchase with a trade-in: For example, assume a vehicle costing $8,000 purchased from the General Fund is traded in on a vehicle costing $15,000. The trade-in value is $2,000 and the district must pay $13,000 cash.

General Fund (01)

Debit: 802	Expenditures	$13,000
Credit: 620 or 101	Warrants Payable or Cash	$13,000
Expenditures Subsidiary Ledger		
X01-XXX-XXXX-740	Major Equipment-Replacement	$13,000

(To record the purchase of the new vehicle costing $13,000 in cash plus a vehicle with trade-in value of $2,000. If the item is not purchased as a replacement, use expenditure object 730-Major Equipment-New.)

The fixed asset inventory ledger should also be adjusted to document the disposal of the vehicle traded-in and record the new asset.

To record the acquisition of a donated asset: For example, assume a vehicle with a fair market value of $10,000 was donated to the school district.

Governmental Funds
Record on the Depreciation Schedule and reported on the SCFA.

Proprietary and Fiduciary Funds

Debit: 341	Machinery and Equipment	$10,000
Credit: 921	Invested in Capital Assets, Net of Related Debt	$10,000

(To record donation of vehicle with a fair market value of $10,000.)

5-1250.20

PROPRIETARY AND FIDUCIARY FUNDS

Fixed assets acquired by proprietary and fiduciary funds (funds 81 through 85) must be recorded as assets in the specific funds. The expenditure of the asset is reflected in the depreciation expense recorded annually.

To record the purchase of a fixed asset: Assume a district purchased a lathe costing $10,000 using money from the Industrial Arts Fund (71). It is estimated the equipment will have a useful life of 10 years and a salvage (resale) value of $1,000. For simplicity, assume the equipment is purchased at the beginning of the fiscal year, July 1.

Industrial Arts Fund (71)
Debit: 341 Machinery and Equipment $10,000 Credit: 620 or 101 Warrants Payable or Cash $10,000
(To record the purchase of equipment.)

An inventory ledger record should also be established for the lathe.

To record depreciation of the asset (usually recorded once a year at fiscal year-end):

Industrial Arts Fund (71)
Debit: 802 Expenditures $900 Credit: 342 Allowance for Depreciation of Machinery and Equipment $900
Expenditures Subsidiary Ledger
X71-XXX-XXXX-750 Depreciation Expense $900
(To record depreciation expense of ($10,000-1,000)/10 yrs = $900 per year. The annual depreciation was calculated as shown in section 5-1240.00.)

In 10 years after recording $900 per year of depreciation expense, the equipment would be considered fully depreciated.

To record sale for less than estimated salvage value: For example, assume the district sold the lathe with an estimated salvage value of $1,000 fifteen years later for only $250. Note: According to Section 206-604, MCA, proceeds from the sale of property must be deposited in the General Fund, Debt Service Fund, or Building Fund, or other appropriate fund of the district, at the discretion of the Board of Trustees. See pages 5-1200-19/21 for sample resolution and public notice to sell real and personal property.

Industrial Arts Fund (71)
Debit: 101 Cash $ 250
Debit: 342 Allowance for Depreciation of Equipment and Machinery $ 9,000 Debit: 402 Revenues $750
Credit: 341 Machinery and Equipment $10,000
Revenues Subsidiary Ledger
X71-5200 Other Financing Sources-Sale of or Compensation for

	Loss of Fixed Assets	($ 750)

(To remove accumulated depreciation related to the item sold, remove asset from books, and record loss related to sale of equipment.)

PROPRIETARY AND FIDUCIARY FUNDS (Cont'd)

Sale for more than estimated salvage value: For example, assume the equipment purchased by the Industrial Arts Fund for $10,000 with an estimated salvage value of $1,000 was sold for $1,500 after being fully depreciated.

Industrial Arts Fund (71)

Debit:	101	Cash	$ 1,500
Debit:	342	Allowance for Depreciation of Machinery and Equipment	$ 9,000
Credit:	341	Machinery and Equipment	$10,000
Credit:	402	Revenue	$ 500

Revenue Subsidiary Ledger

X71-5200	Other Financing Sources-Sale of or Compensation for Loss of Fixed Assets	$ 500

(To record the removal of accumulated depreciation, removal of the asset, and gain on the sale of fixed assets.)

To record purchase with a trade-in: Assume the district trades-in an older vehicle which cost $12,000 on a new vehicle costing $15,000. The old vehicle was fully depreciated, and accumulated depreciation of $11,000 shows on the books. The trade-in value is $2000. Assume market value for the new vehicle is $14,000.

Proprietary Fund

Debit:	341	Equipment and Machinery (New)	$14,000
Debit:	342	Allowance for Depreciation of Machinery and Equipment	$11,000
Credit:	341	Equipment and Machinery (Old)	$12,000
Credit:	620 or 101	Warrants Payable or Cash	$13,000

(To book the new vehicle, remove the accumulated depreciation related to the old vehicle, remove the old vehicle, and record the cash payment.)

NOTE: Record the cost of new equipment as the cash paid plus the book value of the old asset ($13000 + (12,000 - 11,000) = $14,000), as long as the new asset cost does not exceed the market value of the asset.

PROPRIETARY AND FIDUCIARY FUNDS (Cont'd)

To record purchase with a trade-in if the new asset market value is less than the cash paid plus the book value of the old asset: For example, if the new asset costing $15,000 discussed in the preceding example is purchased for $13,500 cash, the book value of the old asset traded-in is $1,000, and the market value of the new vehicle is $14,000, the accounting entry is:

Proprietary Fund

5-1250.20

Debit:	341	Equipment and Machinery (New)	$14,000
Debit:	342	Allowance for Depreciation of Machinery & Equipment	$11,000
Debit:	402	Revenues	$ 500

Credit: 341 Equipment and Machinery (Old) $12,000 Credit: 620 or 101 Warrants Payable or Cash $13,500

Revenue Subsidiary Ledger

XXX-5200	Other Financing Sources-Sale of or Compensation for Loss of Fixed Assets	($500)

(To record the purchase with trade-in and a loss.)

5-1260.00 SPECIAL ISSUES

5-1260.10 RECORDING MAINTENANCE, ADDITIONS AND BETTERMENTS

Costs related to fixed assets after acquisition are classified as one of the following:

1. **ADDITIONS**--Costs to physically extend an existing asset. **Capitalize as part of the original asset.**

2. **BETTERMENTS**--Cost of replacing part of an existing asset, which results in increasing the service life or value of the asset. **Capitalize this cost as part of the original asset.** The amount to capitalize would be the cost of the new part less the cost of the part it replaced.

3. **EXTRAORDINARY REPAIRS AND MAINTENANCE**--Costs of maintenance and repairs which extend the life or result in benefits in future periods. For example, replacement of an obsolete part with a new part which considerably extends the useful life of a machine would be **capitalized as part of the value of the original asset** on the accounting records. If the asset is being depreciated, any extension of the asset's useful life should be used to recalculate the annual depreciation expense.

4. **ORDINARY REPAIRS AND MAINTENANCE**--Cost to keep an asset in its intended working condition, but which do not add significantly to the value of the asset. Charge these costs to appropriate current expenditure accounts. **Do not capitalize.**

To capitalize the cost of an addition, betterment or extraordinary repair as part of the original asset, record an addition on the ledger for the asset and record the cost in the proprietary or fiduciary fund as you would record the addition of the cost of a new asset.

5-1260.10 RECORDING MAINTENANCE, ADDITIONS AND BETTERMENTS (Cont'd)

The classification of costs may require analysis of the nature of the project. The following chart may be used to classify costs related to fixed assets after acquisition.

SUMMARIZATION TABLE FOR ADDITIONS, BETTERMENTS, AND REPAIRS AND MAINTENANCE

	ADDITIONS	BETTERMENTS	EXTRA-ORDINARY REPAIRS AND MAINTENANCE	ORDINARY REPAIR MAINTENANCE
Increases the physical size of a facility.	Yes	No	No	No
Extends useful life of asset.	Yes	Yes	Yes	No
Benefits a future period.	Yes	Yes	Yes	No
May involve replacement.	No	Yes	Yes	Yes
May involve substitution.	No	Yes	No	No
Makes facility better than when it was acquired.	Yes	Yes	Maybe	No
Cost should be capitalized.	Yes	Yes	Yes	No

5-1260.20 CODING THE ACQUISITION AND CONSTRUCTION OF FIXED ASSETS Land:

Charge costs of land acquisitions, including costs to prepare land for its intended use to object 710-Land under function 4100-Site Acquisitions Services. **Land Improvements ("Infrastructure" Assets):**

Costs of **contracted** construction of land improvements such as sidewalks, gutters, and fences should be charged to object 715-Land Improvements under function 4200-Land Improvement Services.

If **district employees construct** land improvements, charge salaries (object 1XX), benefits (object 2XX), supplies (object 610), etc. to function 2600-Operations and Maintenance of Plant. Charge materials to object 715 under function 4200.

Buildings Purchased:

Costs of purchasing existing buildings should be charged to object 720-Buildings and Improvements under function 4500-Building Acquisition Services.

Buildings and Building Improvements Constructed by Independent Contractors:

Costs of new buildings constructed by contractors should be charged to object 720-Buildings and Improvements under function 4500-Building Acquisition Services.

Costs of building improvements constructed by contractors should be charged to object 725-Major Construction Services under function 4600-Building Improvements Services. If improvements are not

considered fixed assets (i.e. cost less than $5,000) they should be charged to object 460-Minor Construction Services under function 2600-Operations and Maintenance of Plant.

5-1260.20 CODING THE ACQUISITION AND CONSTRUCTION OF FIXED ASSETS (Cont'd) Buildings and Building Improvements Constructed by District Personnel:

Costs of construction of buildings and building improvements performed by district employees instead of independent contractors should be allocated between current expenditures and capital outlay. Costs charged to object 7XX must also be recorded as fixed assets. For buildings or building improvements constructed by district employees, charge **costs of salaries (object 1XX), benefits (2XX) and supplies (6XX)** to current expenditures under function 2600-Operations and Maintenance of Plant. **Materials used in new buildings** constructed by district employees should be charged to object 720-Buildings and Improvements under function 4500-Building Acquisition and Construction Services. **Materials used in building improvements** which meet the capitalization criteria of the district (i.e. over $5,000) should be charged to object 725-Major Construction Services under function 4600-Building Improvements Services. Materials which are not considered fixed assets (i.e. cost less than $5,000) should be charged to object 460Minor Construction Serves under function 2600-Operations and Maintenance of Plant.

5-1260.30 RECORDING CATASTROPHIC LOSS OR DAMAGE

When assets are damaged by fire, theft, vandalism, etc., the district should deposit the insurance proceeds into the Building Fund (60) as required by section 20-9-508, MCA. The Building Fund may pay for repairs or replacement for damaged property and other costs associated with the disaster, including replacement of supplies and textbooks, costs of supplementary payroll, etc.

1. **If damage is total**, remove the book value of the asset from the records as you would for retirement of a fixed asset in that type of fund. Record the insurance proceeds in the Building Fund (60) using revenue source 5200-Other Financing Sources-Sale of or Compensation for Loss of Fixed Assets.

For example, if a building with a book value of $300,000 is destroyed by fire, and the district receives $200,000 from the insurance:

Building Fund (60)
Debit: 101 Cash $200,000 Credit: 402 Revenue $200,000
Revenue Subsidiary Ledger
X60-5200 Other Financing Sources-Sale of or Compensation for
Loss of Fixed Assets $200,000

If the building is replaced, record the new building as shown in 5-1250.10 using the appropriate fund numbers which were used to replace the building (i.e. (01) for the General Fund or (60) for the Building Fund).

5-1260.30 RECORDING CATASTROPHIC LOSS OR DAMAGE (Cont'd)

2. **If damage is partial**, charge the costs of repair to current expenditures/expense. The original asset value should be retained. However, if the repair results in a betterment or addition, the cost should be capitalized as part of the original asset.

For example, assume equipment with a book value of $30,000 was damaged in a fire. The district repaired the damage for $4,500 from the Building Fund (60) and received $3,000 from the insurance company:

Building Fund (60)
Debit: 101 Cash $3,000 Credit: 402 Revenue $3,000
Revenue Subsidiary Ledger

X60-5200	Other Financing Sources-Sale of or Compensation for Loss of Fixed Assets	$3,000

Building Fund (60)

Debit: 802	Expenditures	$4,500
Credit: 620 or 101	Warrants Payable or Cash	$4,500

Expenditures Subsidiary Ledger

X60-XXX-26XX-440	Repair and Maintenance Services	$4,500

5-1260.40 FIXED ASSET CONTROLS

The following procedures are suggested methods to help the district management maintain controls over fixed assets:

1. Mark all moveable assets with a durable label or stamp to permit positive identification. Maintain records of assets owned by the district.

2. Inventory fixed assets annually, preferably at the end of the school year. Resolve differences between the fixed asset records and the physical inventory count. Missing items should be listed and written off in accordance with established district policies.

3. Retirement or disposal of property should be made in accordance with section 20-6-604, MCA.
   Disposal should occur only upon authorization of the board.

HOW TO ESTABLISH FIXED ASSET INVENTORY RECORDS

To establish the fixed asset records, school districts may hire professional appraisers or may establish the records themselves using the following suggested procedures:

1. **Determine who will be responsible for the establishment and maintenance of a fixed asset control system.**

2. **Establish board policies for fixed asset control.** Procedures for purchasing fixed assets, recording them on the inventory records, periodically making a physical inventory count, disposing of assets, and updating inventory records should be established as written district policies. The district's policy should establish a cost and estimated life expectancy to use as

criteria to determine which items. OPI suggests that items which cost $5,000 or more and have an estimated useful life at acquisition of one or more years should be capitalized. Federal grant regulations require the district to capitalize assets purchased using federal moneys at $5,000 or more. However, the district may choose different criteria for non-federal asset purchases.

3. **Determine who will perform the original inventory count.** District personnel or contracted appraisers may be needed to help establish the first inventory of fixed assets.

4. **Prepare and distribute a statement of the board's objective to those who will assist with the count.** In small schools, teachers might be assigned to count assets in a classroom or other area. In larger districts, the principals or other area administrator might be assigned to oversee the count of a school's assets. If an area or an asset is used by more than one program or administrator, the responsibility for the area or asset should be reassigned to one person or program. The statement of objective should state the preliminary asset classification plan (e.g., items $5,000 or more with life of 3 or more years) and any definitions needed to classify assets properly under the plan.

5. **The board or superintendent should request each administrator to count the fixed assets** in that administrative unit's control on or by a certain date. No cost determination is made at the time items are counted. A report using the terms and definitions in the classification plan should be prepared by the unit administrators. The report should be requested well in advance of the due date to allow ample time to complete the report accurately and completely.

6. **Assets leased** by the district on an operating, or rental-type, lease should not be included on fixed asset records because legal rights to the property do not belong to the district. Assets leased by the district in lease-purchase agreements must be counted as assets owned by the district.

7. **Determine the value of the assets to be included in the fixed asset inventory records**. Fixed assets should be valued at cost or at estimated cost if historical records of the cost are not available. Donated assets should be valued at their estimated fir market value at the date of acquisition.

   Other resources, such as minutes of past board meetings, may be used to determine historical costs of items if invoices are not available.

   Information such as cost and the date of purchase may not be known for assets acquired in prior years because invoices an other historical documentation is not available. The cost, date of purchase, and remaining useful life of the asset may be estimated. See Section 5-1230.10, "ESTIMATING COSTS OF FIXED ASSETS."

HOW TO ESTABLISH FIXED ASSET INVENTORY RECORDS (Cont'd)

8. **Prepare inventory ledger cards for fixed assets** by account type:

General Ledger Account Number	
311	Land
321	Land Improvements
331	Buildings and Building Improvements
341	Machinery and Equipment

351 Construction Work in Progress (see section 5-1400, "Construction in Progress")

Assets which the district chooses to include on the inventory ledger system but which will not be capitalized in the SCFA or a proprietary or nonexpendable trust fund (e.g., a hand held calculator which cost only $25 but is recorded due to high theft potential) would be recorded in the ledger in the most appropriate asset category (e.g., 341). The total cost shown on asset ledgers may therefore differ from the total asset value recorded on the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA). Ledgers for non-capitalized property may be marked or color coded to identify them separately from items capitalized. This would aid the district or auditors in verifying the costs capitalized in the SCFA and proprietary or nonexpendable funds.

Each item should be assigned and marked with a unique inventory item number to facilitate future verification and control of school property. If a group of similar items is to be considered one aggregate item, the property number should be assigned and marked on each piece.

(See section 6-0100.00, "FIXED ASSET LEDGER FORMS," for suggested ledger forms.)

Ledgers should be retained after asset disposal for future reference and audit purposes.

Land Improvements ("Infrastructure Assets") are not required to be capitalized on the accounting records. However, ledgers should be maintained for **all** fixed assets, including land improvements.

9. **Capitalize assets in the accounting records in the proprietary or fiduciary funds.** For assets (other than land improvements) recorded on fixed asset ledger cards, determine the total costs to capitalize in Land (311), Buildings and Improvements (331), and Machinery and Equipment (341).
Determine the value attributable to proprietary or fiduciary funds for each asset type.

HOW TO ESTABLISH FIXED ASSET INVENTORY RECORDS (Cont'd)

Capitalize fixed assets of proprietary or fiduciary funds in those funds by recording the following entry: Record the book value of the asset as contributed capital. For example, assume the $26,500 machinery of the Industrial Arts Fund had an estimated useful life or 10 years and is now 7 years old. The accumulated depreciation is $18,550 ($26,500 divided by 10 years, times 7 years).

Industrial Arts Fund (71)

Debit:	341	Machinery and Equipment	$ 26,500
Credit:	342	Allowance for Depreciation of Machinery and Equipment	$ 18,550
Credit:	921	Contributed Capital	$ 7,950

(To record fixed assets in the appropriate proprietary fund.)

10. **Record subsequent fixed asset purchases** as shown in sections 5-1250.10 and .20. Code the expenditure for fixed assets as discussed in 5-1260.20, "CODING THE ACQUISITION AND CONSTRUCTION OF FIXED ASSETS."

11. **Dispose of fixed assets** only upon written authorization of the board. See section 5-1210.30. For assets purchased using federal or state grants, refer to OPI state and federal Grants Handbook.

12. **Count inventory yearly.** The reason for missing items should be investigated and the loss should be reported for insurance recovery, if applicable. The physical count and the inventory records should be brought into agreement at least once a year using established policies and procedures.

RESOLUTION NO. _____

DISPOSITION OF ABANDONED, OBSOLETE AND UNDESIRABLE PROPERTY

A RESOLUTION TO AUTHORIZE THE BOARD OF TRUSTEES OF SCHOOL DISTRICT NO. _____ AND HIGH SCHOOL, _____(city), MONTANA TO DISPOSE OF ABANDONED, OBSOLETE AND UNDESIRABLE PROPERTY THROUGH THE SALES OR OTHER MEANS, AS PROVIDED BY SECTION 20-6-604, MCA.

WHEREAS, it has been determined certain _____ personal _____ real property as shown on the attached list has become abandoned, obsolete and undesirable by School District No. _____.

THEREFORE, BE IT RESOLVED, the Board of Trustees will dispose of this property through the sale or other means commencing on ____/____/____ which will be 14 days after notice of this resolution has been made in the manner required in Section 20-20-204, MCA.

PASSED AND APPROVED BY THE BOARD OF TRUSTEES OF SCHOOL DISTRICT NO. _____ THIS _____ DAY OF _____, _____.

_____ _____
Chairperson Date

Attest:

_____ _____
Clerk Date

LIST OF OBSOLETE, ABANDONED, SUPRLUS PROPERTY

DATE _____

DESCRIPTION OF ITEM	QUANTITY	RESALE VALUE	RECOMMENDED DISPOSAL

PUBLIC NOTICE

DISPOSITION OF ABANDONED, OBSOLETE AND UNDESIRABLE PROPERTY

Notice is hereby given as required by Section 20-6-604, MCA, the Board of Trustees of School District No. _____ and High School adopted a resolution to sell or otherwise dispose of abandoned, obsolete and undesirable property at the _____ regular _____ special meeting on ____/____/____.

A list of this property can be found at any school building office between the hours of _____ a.m. and _____ p.m. Any taxpayer of the district may appeal this resolution to district court anytime prior to the effective date of the resolution. The effective date of the resolution will be ____/____/____.

5-1300.00 LONG-TERM DEBT

5-1310.00 INTRODUCTION

5-1310.10 DEFINITIONS

"General Long-Term Debt (GLTD)" is defined as all unmatured principal of long-term debt except debt of the Proprietary or Trust Funds. GLTD includes the unmatured principal of bonds, notes, capital leases, claims and judgements, compensated absences, and other forms of general long term government debt.

"Schedule of Changes in Long-Term Liabilities (SCLTL)" is a schedule on the Annual Trustees' Financial Summary (TFS) used to track additions and reductions of long-term liabilities, except long-term liabilities related to fiduciary (trust and agency) funds.

5-1310.20 BASIC ACCOUNTING PROCEDURES FOR GENERAL LONG-TERM DEBT

When debt is incurred, the principal owed is recorded on the Schedule of Changes in Long Term Liabilities (SCLTL). The amount recorded as a liability is the "par" or maturity value, even if the debt was issued at a discount or premium. Resources for retirement of bonds are accumulated in the Debt Service Fund. Interest and principal on long-term debt are generally recorded as expenditures in the year they become due and payable. However, if the resources to make a debt payment have been accumulated by June 30 and the payment will be due and payable early in the next fiscal year, the district **may** record the expenditure for principal and interest in the current fiscal year. The method of recording debt interest and principal **must be applied consistently** from year to year.

When debt matures, a current liability is recorded in the fund which will repay the debt. The fund used to repay bonds or SIDs is the Debt Service Fund. Borrowings, such as capital leases and long-term notes (loans) are repaid using the General Fund, Impact Aid Fund, or any other legally available fund. Compensated absences liabilities for sick leave and vacation leave payouts following termination of employment are usually paid using the Compensated Absences fund (within restrictions under 20-9-512, MCA) or General Fund. All mature debt and interest should be recorded as expenditures for the current year if due on or before June 30, or if due early in the next fiscal year **and** the resources to repay the debt are accumulated by June 30.

5-1310.25 SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

SCHOOL DISTRICT _____
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES FOR
THE YEAR ENDED JUNE 30, 20XX

	(a) Beginning Balance (7/1)	(b) New Debt & Other Additions	(c) Principal Payments	(d) Refunding & Other Reductions	(e) Ending Balance (6/30) [a + b - c - d]	(f) Current Portion (Due Next Fiscal Year)	(g) Long-Term Portion (Due Beyond Next Fiscal Year)
Governmental Activities*							
General Obligation Bonds:							
_____ Refunding Issue							
20_ _ Issue							
20_ _ Issue							
19_ _ Issue							
Capital Leases							

Compensated Absences							
Intercap Loan Payable							
Special Improvements (SIDs)							
Other _____							
Total Governmental Activity Long-Term Liabilities							
Business-Type Activities**							
Capital Leases							
Compensated Absences							
Intercap Loan Payable							
Other _____							
Total Business-Type Activity Long-Term Liabilities							

***Governmental activities** are usually reported in the general, special revenue, debt service, capital projects, permanent, and internal service funds. These funds are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

****Business-type activities** are usually reported in the enterprise funds. These funds are financed in whole in part by fees charged to external parties for goods and services.

5-1320.00 BONDS

Instructions for issuing bonds in compliance with Montana laws are published in the School Bond Manual for Montana School Districts. Copies are available from the Montana Attorney General's Office.

5-1320.05 BOND PAYMENT SCHEDULE

When a bond is issued, the bond company will give the school district a schedule showing the bond principal and interest payments throughout the life of the outstanding bond. Payments are usually scheduled for June and December or July and January, to coincide with the tax collections used to repay the bonds. One semi-annual bond payment usually includes interest alone, and the other includes a second interest payment and principal.

The district should budget and pay two payments each year, based on the amounts listed in the bond schedule, as shown in the following example:

School District XYZ
General Obligation Bonds, Series 2003
Debt Service Schedule

Date	Principal	Interest	Total P&I	Fiscal Total
5/30/2003				
1/01/2004		36,930.60	36,930.60	
7/01/2004	100,000.00	29,413.75	129,413.75	166,344.35 (FY04 budget & pmt amt)
1/01/2005		28,913.75	28,913.75	
7/01/2005	370,000.00	28,913.75	398,913.75	427,827.50 (FY05 budget & pmt amt)
1/01/2006		26,786.25	26,786.25	
7/01/2006	310,000.00	26,786.25	336,786.25	363,572.50 (FY06 budget & pmt amt)
….	….	….	….	….

(Schedule would show payment due over the entire life of the bond)

A payment due on July 1 should normally be budgeted and paid as an expenditure of the year ended June 30. For example, notice the 7/01/2004 payment in the example above would be budgeted and paid in the FY04 budget year. OPI builds most bond schedules into the MAEFAIRS electronic budget system to assist districts in budgeting the appropriate payments.

In rare circumstances, a district may choose to budget the July/January payments in the fiscal year instead of the January/July payments (e.g., paying the 7/01/2004 and 1/01/2005 payments in FY05 instead of paying the 1/01/2005 and 7/01/2005 payments in FY05, as usual). Once a method is chosen, districts should consistently budget and pay the payments according to that choice.

Making Payments

The county treasurer is legally responsible for making the bond payment by moving the money from the district's debt service account to the fiscal agent responsible for redeeming the bond principal and interest. Payments due July 1 are normally transacted during the last week in May. The district should record the principal and interest expenditures in the debt service fund in the year they were budgeted. If the cash payment has not yet been transacted by June 30, the district should record the expenditures and a payable.

5-1320.05 BOND PAYMENT SCHEDULE (cont'd)

Unredeemed Bond Principal and Interest
The fiscal agent normally holds the district's money in escrow until the bondholder demands payment. The school district should contact the county treasurer's office periodically to determine if there is any unpaid principal or interest on deposit with the fiscal agent. If the unpaid principal or interest has been on deposit over one year, the school district should record a liability in the Debt Service Fund to keep track of the obligation.

According to the Department of Administration, Sections 70-9-801 and 70-9-805, MCA, state that unpaid bond interest could be construed as abandoned property and escheated to the state. OPI recommends district officials should contact the county attorney on the issue of escheating unpaid bond interest to the state.

Calling Bonds Early
Section 20-9-441, MCA discusses the procedure to call bonds early. OPI encourages district officials to contact the County Treasurer to ask what steps to take, if any, to notify bondholders the bonds have been called.

Closing the Debt Service Fund after Paying Bonds
Section 20-9-443, MCA, states: "When all of the bonds and bond interest of any school district have been fully paid, all money remaining in the debt service fund for such school district and all moneys which may come into such debt service fund from the payment of the delinquent taxes shall be transferred by the county treasurer to the general fund of such school district." Partial distribution is not allowed by this section.

The Debt Service Fund should remain open while the coupons are still outstanding. Section 27-2-202, MCA, indicates the statute of limitations for bonds and coupons is 8 years. Consequently, the school district may have to keep the fund open for 8 years until the statute of limitation passes and then contact the county attorney to determine if the unclaimed bond interest should be escheated to the state.

RECORDING BOND TRANSACTIONS

To record the sale of bonds: Assume the school district issued $1,000,000 of general obligation bonds.
Building Fund (60)
Debit: 101 Cash $1,000,000 Credit: 402 Revenues $1,000,000
Revenues Subsidiary Ledger
X60-5110 Other Financing Sources-Sale of Bonds $1,000,000
(To record the receipt of bond proceeds from issuing general obligation bonds.)

To record bond issue costs: Record the costs of issuing bonds as expenditures of the same fund which received the bond proceeds. For example, assume the district must pay an agent fee to the entity which issued the bonds. Building Fund (60)

Debit: 802 Expenditures $500
Credit: 620 or 101 Warrants Payable or Cash $500
Expenditures Subsidiary Ledger
X60-1XX-4600-860 Agent Fees $500
(To record the costs of issuing bonds. Note that the costs are not netted with bond proceeds but are shown as current expenditures.)

To record the accumulation of funds in the Debt Service Fund (50) to repay the bonds:
Debt Service Fund (50)
Debit: 101 Cash $ 40,000 Credit: 402 Revenues $ 40,000
Revenues Subsidiary Ledger
X50-XXXX Any appropriate revenue source (usually taxes) $ 40,000
(To record receipt of cash which will be used to retire general long-term debt previously recorded in the Schedule of Long Term Liabilities.)

RECORDING BOND TRANSACTIONS (Cont'd)

To record a bond payment made by June 30: Record the entire bond payment (principal and interest) due on or by June 30 as an expenditure in the fund which paid the debt.
Debit Service Fund (50)
Debit: 802 Expenditures $25,000
Credit: 101 Cash $25,000
Expenditures Subsidiary Ledger
X50-1XX-5100-840 Principal $XX,XXX X50-1XX-5100-850 Interest $ XXX
X50-1XX-5100-860 Agent Fees $ XX
(To record a bond payment made during the year by June 30.)

To record a payment due by June 30 which has not been paid: Record the expenditure as shown in the previous entry, but credit 640 Matured Bonds Payable, 655 Matured Interest Payable, and 621 Accounts Payable for the accrued principal, interest, and agent fees.

Report the amount of principal as a reduction to the total remaining principal due on the SCLTL.

At fiscal year-end, to record a bond payment due early in the next year: GAAP allows the following options. The district may:

1. Record the expenditure for the entire payment (principal and interest) in the next year when it becomes due as shown in the previous entry (no entry is recorded at fiscal year-end); OR

2. If the bond payment is due early in the next fiscal year, the liability and expenditure **may** be recorded in the current year and be charged to the current year's budget **IF RESOURCES TO FUND THE PAYMENT HAVE BEEN ACCUMULATED DURING THE CURRENT YEAR FOR THE PAYMENT**. Once started, this must be done consistently year after year. This option is shown in the following entry.

To record the expenditure at fiscal year-end for a bond payment due early in the next fiscal year: For example, assume that $10,000 in principal, $1,000 in interest, and $25 in agent fees is due July 2 (FYX2), and the district has accumulated resources in the current year (FYX1) sufficient to make the entire payment.

Debt Service Fund (50)

Debit: 802 Expenditures $11,025

Credit: 640 Matured Bonds Payable $10,000 Credit: 655 Matured Interest Payable $ 1,000

Credit: 621 Accounts Payable $ 25

Expenditures Subsidiary Ledger

X50-1XX-5100-840 Principal $10,000 X50-XXX-5100-850 Interest $ 1,000 X50-XXX-5100-860 Agent Fees $ 25

(To record expenditures for matured debt, interest, and agent fees due July 2.)

Report the amount of principal as a reduction to the total remaining principal due on the SCLTL.

RECORDING BOND TRANSACTIONS (Cont'd)

To record a bond payment in FYX2 which was accrued at the previous fiscal year-end:
Debt Service Fund (50)
Debit: 640 Matured Bonds Payable $10,000 Debit: 655 Matured Interest Payable $ 1,000
Debit: 621 Accounts Payable $ 25
Credit: 620 or 101 Warrants Payable or Cash $11,025
(To record payment of liabilities for principal, interest and fees due July 2.)

The portion of the liability for future payments of debt principal should remain in the SCLTL as a long-term liability and should be recorded as an expenditure when due in a subsequent year.

Again, if the option is chosen to record an expenditure in the current year for debt service payment due early in the next fiscal year, that practice should be followed consistently from year to year.

NOTE: Since more recent bond issues use registered bonds, the county treasurer will normally show July bond and interest payments as expenditures in June. In these cases, the district would record a credit to cash rather than payables at the end of each fiscal year.

To record unredeemed Bond Principal or Interest on Deposit with Fiscal Agent:
Debit: 105 Cash With Fiscal Agent
Credit: 640 Matured Bonds Payable
Credit: 655 Matured Bonds Interest

5-1320.20 RECORDING REFUNDING BONDS - SPECIAL CODING

BUDGETING
Sections 20-9-435 and 20-9-508, MCA, require the proceeds from refunding bonds be deposited to the Debt Service Fund which is a budgeted fund. Accordingly, the sale of refunding bonds, redemption of old bonds, and bond issuance costs should be anticipated in the final Debt Service Fund budget whenever possible. If the refunding bond issue is commenced after the final budget, OPI recommends adopting a budget amendment to provide adequate budget authority to cover the bond issue. However, Section 20-9-133 requires any legal bond payment to be made if money is available regardless of budget. Check with your county attorney as to whether a budget amendment is required to refund a bond issue after the final budget has been adopted.

ACCOUNTING—FISCAL AGENCY DIRECT
Some refunding bonds issues are handled entirely by a fiscal agent and no cash transactions are recorded by the county treasurer or the school district. However, generally accepted accounting principles require the transaction be recorded and reported under the full disclosure principle. **Please use this coding so refunding bonds can be identified differently than regular bonds:**
To record the fiscal agent's direct refunding of bonds:

Debit: X50-802	Expenditures	$512,000
Credit: X50-402	Revenues	$512,000
Revenue Subsidiary Ledger		$512,000
X50-5120	Sale of Refunding Bonds	
Expenditure Subsidiary Ledger		
X50-1XX-6300-840	Bond Principal/Old Issue	$500,000
X50-1XX-6300-850	Interest to Recall Date	$ 10,000
X50-1XX-6300-860	Bond Issuance Costs	$ 2,000

Note: Columnar accounting systems may either add columns to record the above transaction or record and explain the transaction on the cash to accrual worksheet.

ACCOUNTING—DISTRICT AND FISCAL AGENT

The following is an example of how to record entries when the fiscal agent sends money to the school district to pay for the issuance costs. Assume the same example above but the fiscal agent sends $2,000 to the school district to pay for the issuance costs.

5-1320.20 RECORDING REFUNDING BONDS - SPECIAL CODING (Cont'd)

To record the fiscal agent's refunding of bonds where the district receives money for issuance costs:

Debit: X50-802	Expenditures	$510,000
Credit: X50-402	Revenues	$510,000

Revenue Subsidiary Ledger

X50-5120	Sale of Bonds	$510,000

Expenditures Subsidiary Ledger

X50-1XX-6300-840	Bond Principal/Old Issue	$500,000
X50-1XX-6300-850	Interest to Recall Date	$ 10,000
X50-1XX-6300-860	Bond Issuance Costs	$ -0-

To record the amount received from the fiscal agent:

Debit: X50-101	Cash	$ 2,000
Credit: X50-402	Revenues	$ 2,000

Revenue Subsidiary Ledger

X50-5120	Sale of Refunding Bonds	$ 2,000

To record the payment of bond issuance costs:

Debit: X50-802	Expenditures	$ 2,000
Credit: X50-101	Cash	$ 2,000

Expenditures Subsidiary Ledger

X50-1XX-6300-860	Bond Issuance Costs	$ 2,000

5-1330.00 LEASES

5-1330.10 DEFINITIONS

"Lessee" is the party leasing the property and responsible to pay the lease payments.

"Lessor" is the party which receives lease payments.

"Capital Lease" transfers substantially all the benefits and risks inherent in ownership of the property to the lessee, who accounts for the lease as an acquisition of property and incurrence of a liability.

If, at the inception of the lease, a lease meets one or more of the following criteria, the **lease should be classified as a capital lease**:

a. By the end of the lease term, ownership of the leased property is transferred to the lessee;

b. Lease has a bargain purchase option, meaning the lessee may purchase the property during the term of the lease at an amount substantially less than the estimated fair value of the property;

c. The lease term is 75% or more of the property's estimated useful life (unless the lease begins in the final 25% of the asset's life);

d. The present value of minimum lease payments is 90% or more of the fair value of the leased property (unless the lease begins in the final 25% of the asset's life).

"Operating Lease" is any lease which does not meet at least one of the criteria above for capital leases. Operating leases are accounted for in the same manner as rent payments.

5-1330.20 RECORDING OPERATING LEASES

When the lease term begins, no entry is needed.

To record the periodic payment on an operating lease:
Debit: 802 Expenditures
Credit: 620 or 101 Warrants Payable or Cash
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-45X Rental
(To record a periodic payment on an operating lease.)

5-1330.30 RECORDING CAPITAL LEASES--LESSEE

When a district acquires leased property through a capital lease from another party, the district must record the leased asset on the SCFA. The fixed asset value recorded in the SCFA is the lower of the present value of the minimum lease payments or the fair value of the property. The present value of the minimum lease payments is the periodic lease payment times the present value annuity factor using the lower of: (a) the lessor's interest rate; or (b) the rate at which the district could borrow money to pay the lease off immediately.

The lease is also recorded as a nonbudgeted expenditure (balance sheet account 890) and a nonbudgeted revenue (balance sheet account 490) in a governmental fund.

For example, assume the district leases equipment and will obtain title at the end of 5 years. Payments of $50,000 are due each August 1, beginning August 1, 2005. The fair market value of the equipment is $208,493. The lessor's interest rate is 10%, which is the same rate at which the district could borrow money from the Board of Investments.

The minimum lease payments are calculated as follows:

Annual lease payments	$ 50,000
Present value of an annuity due, interest rate is 10% and the number of periods is 5 (See an annuity table.)	X 4.16986
Present value of minimum lease payments	$ 208,493
	=======

An amortization schedule based on the example above is presented below:

Lease Amortization Schedule

Lease Date	Annual Payment	Interest on Unpaid Obligation	Reduction of Lease Obligation	Balance of Lease Obligation	Date
8/1/05	$208,493		8/1/05 $50,000	$50,000	
	158,493	8/1/06 50,000	$15,849	34,151	124,342 8/1/07
	50,000	12,434	37,566	86,776	8/1/08 50,000 8,678
41,322		45,454	8/1/09 50,000	4,546	45,454 -0

5-1330.31 RECORDING CAPITAL LEASES -- LESSEE -- GOVERNMENTAL FUND TYPES

To record the initial lease agreement: GAAP requires that an expenditure and revenue equal to the asset value be recorded in the fund which will make the lease payments.

Governmental Fund Types
Debit: 890 Nonbudgeted Expenditures $208,493 Credit: 490 Nonbudgeted Revenues $208,493
(To record the proceeds and expenditures of a capital lease transaction. Since the lease creates a future liability and future benefit but future debt service payments will be shown as expenditures, the nonbudgeted expenditure and revenue codes must be used. The 490 and 890 accounts are used for GAAP financial statement preparation. The net effect of the accounts on the fund balance of the governmental fund is zero.)

For financial statements presented in accordance with GAAP, the district should report the nonbudgeted lease expenditures as capital outlay expenditures and the nonbudgeted lease revenues as an Other Financing Source. Be sure to record the asset acquired with a capital lease on both the SCFA and SCLTL.

To record the first lease payment:
General Fund (01) or any fund making payments

Debit: 802	Expenditures	$50,000
Credit: 620 or 101	Warrants Payable or Cash Expenditures	$50,000
Subsidiary Ledger		
X01-1XX-5200-840	Principal	$50,000

(To record the first lease payment.)

To record the second year's lease payment: If the resources to make the payment due early in the next fiscal year are accumulated by June 30, the expenditures may be recorded in that year. If the district chooses that option, the expenditures should be accrued at each fiscal year end throughout the term of the lease for consistency.
General Fund (01)

Debit: 802	Expenditures	$50,000
Credit: 620 or 101	Warrants Payable or Cash Expenditures	$50,000
Subsidiary Ledger		
X01-1XX-5200-840	Principal	$34,151
X01-1XX-5200-850	Interest	$15,849

(To record payment of the second lease payment.)

When payments are made in subsequent years, entries would follow the same format.

5-1330.32 RECORDING CAPITAL LEASES -- LESSEE -- PROPRIETARY FUND TYPES

Record leases that are to be paid using proprietary funds as liabilities of the specific fund, similar to private sector accounting. For example, assume the lease in the previous example is to be paid by a proprietary fund type.

To record the lease asset and obligation:
An Enterprise Fund
Debit: 341 Machinery and Equipment $208,493 Credit: 730 Leases Obligations $208,493
(To record the liability and asset acquired by capital lease.)

The debt is recorded in the fund itself and also in the SCFA and SCLTL.

To record the first lease payment:
An Enterprise Fund

Debit: 730	Lease Obligations	$50,000
Credit: 620 or 101	Warrants Payable or Cash	$50,000

(To record the first payment on the capital lease.)

At fiscal year-end, to record annual depreciation on the leased asset:
An Enterprise Fund

Debit: 802 Expenditures $34,749 Credit: 342 Allowance for Depreciation of Machinery & Equipment $34,749
Expenditures Subsidiary Ledger
X7X-920-3200-750 Depreciation Expense $34,749
(To record annual straight-line depreciation. The amount is the asset value $208,493 divided by the 6 year estimated useful asset life.)

To record the second year's lease payment: If the resources to make the payment due early in the next fiscal year are accumulated by June 30, the expenditures may be recorded in that year. If the district chooses that option, the expenditures should be accrued at each fiscal year end throughout the term of the lease for consistency.
An Enterprise Fund
Debit: 802 Expenditures $15,849 Debit: 730 Lease Obligations $34,151
Credit: 620 or 101 Warrants Payable or Cash $50,000
Expenditures Subsidiary Ledger
X7X-920-3200-850 Interest $15,849
(To record the second payment of principal and interest. Notice that interest is recorded as an expenditure when paid, but principal is not. The cost of the asset is written off as an expenditure over the useful life of the asset as a depreciation expense.)

When payments are made in subsequent years, entries would follow the same format.

5-1330.40 CAPITAL LEASES--LESSOR

When the district transfers property to another party through a capital lease, the transaction is essentially a sale of property. Remove the asset from the books and record a receivable for the future lease payments.

For example, assume the district leases equipment for which title will pass to the lessee at the end of 5 years. Payments of $50,000 are due each August 1, beginning August 1, 2005. The carrying value of the asset on the district's books is $250,000.

Lease Amortization Schedule

Date	Annual Lease Payment	Interest on Unpaid Obligation	Principal	Balance of Lease Receivable
8/1/05				$250,000
8/1/05	$50,000		$50,000	200,000
8/1/06	50,000	$15,849	34,151	150,000
8/1/07	50,000	12,434	37,566	100,000
8/1/08	50,000	8,678	41,322	50,000
8/1/09	50,000	4,546	45,454	-0-

5-1330.41 CAPITAL LEASES -- LESSOR -- GOVERNMENTAL FUND TYPES

To record the lease receivable and the receipt of the first lease payment:
Governmental Fund Types
Debit: 190 Accounts Receivable $200,000
Debit: 101 Cash $ 50,000
Credit: 680 Deferred Revenues $200,000
Credit: 402 Revenue $ 50,000
Revenue Subsidiary Ledger
XXX-5500 Other Financing Sources-Capital Leases $ 50,000
(To record a receivable for the lease revenues to be received in the future and cash received when the lease was entered.)

Remove the cost of the fixed asset, which has been leased, from the SCFA. Note that the cost on the inventory records may differ from the lease account receivable recorded above.

To record the receipt of the second lease payment:

Governmental Fund Types		
Debit: 101	Cash	$50,000
Credit: 190	Accounts Receivable	$50,000
Debit: 680	Deferred Revenues	$50,000
Credit: 402	Revenues	$50,000
Revenue Subsidiary Ledger		
XXX-1510	Interest Income	$15,849
XXX-5200	Other Financing Sources-Sale of Assets	$34,151

(To record receipt of the second payment on the capital lease.)

Receipt of subsequent payments would be recorded following the same format.

5-1330.42 CAPITAL LEASES -- LESSOR -- PROPRIETARY FUND TYPES

To record the lease receivable and the receipt of the first payment:

Proprietary Fund Types

Debit:	190	Accounts Receivable	$200,000
Debit:	101	Cash	$ 50,000
Debit:	342	Allowance for Depreciation on Machinery and Equipment	$ 20,000
Credit:	341	Machinery and Equipment	$270,000

(To record the receivable for a capital lease, receipt of the first payment, and removal of the fixed asset and related accumulated depreciation from the books.)

At fiscal year-end, to record interest income earned but not received by June 30:

Proprietary Fund Types

Debit: 114	Interest Receivable	$14,528
Credit: 402	Revenues	$14,528

Revenues Subsidiary Ledger

XXX-1510	Interest Income	$14,528

(To record interest income earned but not received in cash at June 30. The amount is the total interest included in the second payment $15,849 divided by 12 months, times 11 months accumulated.)

At the beginning of the next year, to record the receipt of the second payment:

Proprietary Fund Types

Debit: 101	Cash	$50,000
Credit: 114	Interest Receivable	$14,528
Credit: 190	Accounts Receivable	$34,151
Credit: 402	Revenues	$ 1,321

Revenues Subsidiary Ledger

XXX-1510	Interest Income	$ 1,321

(To record cash received for lease payment, reversal of interest receivable recorded at the previous fiscal year end, and interest income on lease payment for current fiscal year.)

When payments are received in subsequent years, the entries would follow the same format.

5-1340.00 NOTES/LONG-TERM LOANS - GOVERNMENTAL FUNDS

This section discusses accounting for long-term loans and notes payable. Generally, a loan is considered long-term debt if it will be repaid in a period greater than one year. Loans repaid in one year or less are considered short-term debt. See “SHORT TERM LOANS,” SECTION 5-1000.00. Proceeds of long-term notes and loans are recorded as Other Financing Sources. Payments for principal and interest on the loan are recorded as normal operating expenditures. The law authorizes districts to borrow from the state Board of Investments for a period of up to 10 years (20-9-471, MCA), except loans repaid from the Building Reserve Fund are limited to 5 years (20-9-503, MCA). Transportation laws limit the time allowed for borrowing to finance the purchase of school buses to a period of 3 years (20-10-110, MCA).

While not specifically authorized by law, districts and cooperatives are not prohibited from borrowing money from a bank or any other financial institution. Auditors should confirm any outstanding loan balances directly with the financial institution. Loan proceeds are restricted for uses specified by law. See section 51340.10 below. Loan proceeds should generally be deposited in the General Fund (01), Transportation Fund (10), or Building Fund (60) to spend in accordance with restrictions in law. The Miscellaneous Programs Fund (15) may be used if a building fund hasn’t been established and the life of the project is less than one year. Other funds may be used if appropriately used for expenditures allowed under law. Loans may be repaid using any legally available funds of the district.

5-1340.10 INTERMEDIATE TERM CAPITAL PROGRAM (INTERCAP)

The State of Montana Board of Investments provides intermediate term loans up to ten years to school districts. These loans can be used for financing vehicles and equipment, renovating and remodeling facilities, and other capital expenditures including acquiring real property or construction of a facility with certain restrictions (20-9-471, MCA). Contact the Board of Investments at (406) 444-1365 for more information on Intercap Loans.

LOANS NOT REPAID FROM BUILDING RESERVE FUND

The example below assumes the district borrows $10,000 from the Board of Investments for building improvements to be repaid in ten semi-annual payments of $1,015 plus 7.5% interest from the General Fund.

To record receipt of the loan proceeds:

Building Fund (60)		
Debit: 101	Cash	$10,000
Credit: 402	Revenues	$10,000
Revenues Subsidiary Ledger		
X60-5400	Other Financing Sources-Proceeds from Long-Term Liabilities	$10,000

(To record receipt of loan proceeds.)

Record $10,000 as the long term liability on the SCLTL.

To record expenditures financed with loan proceeds:

Building Fund (60)		
Debit: 802	Expenditures	$10,000
Credit: 620 or 101	Warrants Payable or Cash	$10,000
Expenditures Subsidiary Ledger		
X60-1XX-46XX-XXX	Any appropriate expenditure object	$10,000

(To record the payment for building improvements funded by the issuance of long-term loans.)

If the Board of Investments paid the vendor directly, instead of recording the two preceding entries, record the proceeds and expenditure as follows:

Building Fund (60)		
Debit: 802	Expenditures	$10,000
Credit: 402	Revenues	$10,000
Expenditures Subsidiary Ledger		
X60-1XX-46XX-XXX	Any appropriate expenditure object	$10,000
Revenues Subsidiary Ledger		
X60-5400	Other Financing Sources-Proceeds from Long-Term Liabilities	$10,000

Record loan proceeds and the expenditure on the SCLTL.

5-1340.10 INTERMEDIATE TERM CAPITAL PROGRAM (INTERCAP) (Cont'd)

To record the first semi-annual loan payment:

General Fund (01)		
Debit: 802	Expenditures	$ 1,396
Credit: 620 or 621	Warrants Payable or Cash	$ 1,396
Expenditures Subsidiary Ledger		
X01-1XX-52XX-840	Principal	$ 1,015

X01-1XX-52XX-850 Interest on Debt $ 381
(To record the first payment on the note, consisting of principal and 7.5% interest.) On

the SCLTL, reduce the note payable liability by the principal amount repaid ($1,015).

To record the second semi-annual payment:
General Fund (01)
Debit: 802 Expenditures $ 1,358
Credit: 620 or 101 Warrants Payable or Cash $ 1,358
Expenditures Subsidiary Ledger
X01-1XX-52XX-840 Principal $ 1,015 X01-1XX-52XX-850 Interest on Debt$ 343
(To record the second payment on the note, consisting of principal and 7.5% interest.)

On the SCLTL, reduce the note payable liability by the princiapl amount repaid or $1,015.

Subsequent payments should be recorded using the same procedures as shown above.

LOANS REPAID FROM BUILDING RESERVE FUND

The 1997 Legislature amended Section 20-9-471, MCA, to allow repayment of Board of Investment loans from the Building Reserve Fund if approved by the voters. School districts should deposit the loan proceeds into the Building Reserve Fund (61) and use the same accounting entries in the above example substituting Fund 61 for Fund 60 and Fund 01. Record the long-term liability on the SCLTL.

5-1350.00 COMPENSATED ABSENCES

5-1350.10 DEFINITIONS

"Compensated absences" are absences from employment because of illness, holiday, vacation, or other reasons, for which the employer pays the employee.

5-1350.20 PURPOSE

The purpose of recording a liability for compensated absences is to ensure full disclosure of all obligations of the district as required by GAAP. Since the employer will be required to pay the employee for some portion of the compensated absences at a future date, the obligation of the district exists and should be reflected in the accounting records.

5-1350.30 BASIC ACCOUNTING PROCEDURES

If the district expects to pay an employee for compensated absences at some time in the future, record a liability on the books IF ALL THE FOLLOWING CONDITIONS EXIST:

a. The employee's right to receive the compensation for the future absences is attributable to services already performed by the employee;

b. The employee's right to receive the compensation for future absences is vested or accumulates;

c. Payment is probable; and

d. The amount can be reasonably estimated.

Compensated absences related to employees paid from the **enterprise funds** are recorded as expenditures and liabilities in those funds. Compensated absences for **all other funds** are considered general long-term debt and are reported as a long-term liability in the SCLTL.

The compensated absence liability reported in the SCLTL is normally **adjusted annually** at fiscal year end to reflect the estimated liability for compensated absences at that time based on the most current information available. The compensated absence liabilities recorded in enterprise funds may be adjusted annually or may be reversed at the beginning of the next fiscal year and recorded at the end of the fiscal year.

The liability is calculated each fiscal year-end using the most current information available:

Service time used in calculations should include the accumulated balance of hours. For example, if the employee is allowed to accumulate only 4 weeks vacation leave and he has earned 5 weeks, only 4 weeks would be considered because the fifth week is not allowed to accumulate. Calculate the liability at year end based on time which represents the "cash in" value of compensation at termination (e.g. 100% of vacation time and 25% of sick leave accumulated).

5-1350.30 BASIC ACCOUNTING PROCEDURES (Cont'd)

Salaries used in calculations should be current rather than salaries in effect when the time was earned; current salaries more accurately reflect the liability because the payment for absences will be made at the employee's current salary rate at termination.

Employer contributions for FICA, TRS, PERS, Workers' Compensation, and Unemployment Compensation will become due and payable on the amount of accumulated compensated absence pay for a terminating employee. These contributions are also obligations of the district related to compensated absences. Districts should estimate the amounts of these contributions based on current rates and salaries, and add the amounts to the liability for compensated absences.

5-1350.40 CALCULATING THE LIABILITY FOR COMPENSATED ABSENCES

The compensated absences worksheet in section 6-0200 of this manual is a suggested format for calculating the district's liability each June 30.

5-1350.50 RECORDING COMPENSATED ABSENCES

5-1350.51 RECORDING COMPENSATED ABSENCES -- GOVERNMENTAL FUND TYPES

Liabilities for compensated absences of employees paid from governmental funds are recorded in the SCLTL only. In the year the payment is made to a terminating employee, payment is recorded as a current expenditure in the paying fund. The liability balance in the SCLTL is not adjusted each time a payment is made to a terminating employee; rather, the balance is re-computed at fiscal year end and adjusted accordingly.

In the first year, establish the compensated absences liability at year end: For example, assume the liability at June 30 as calculated using the worksheet in section 6-0200 of this manual is $4600 for employees paid from all district governmental fund types. Record the liability of $4,600 on the SCLTL. **5-1350.51RECORDING COMPENSATED ABSENCES -- GOVERNMENTAL FUND TYPES (Cont'd)**

To record termination payments made during the year:

Governmental Fund Type Fund Which Pays Employee
Debit: 802 Expenditures
Credit: 620 or 101 Warrants Payable or Cash
Expenditures Subsidiary Ledger
XXX-XXX-XXXX-160 Sick Leave Termination Pay
XXX-XXX-XXXX-170 Vacation Termination Pay
XXX-XXX-XXXX-2XX FICA, PERS, Workers' Compensation, etc.
(To record payment to a terminated employee and to various benefit plans for the amounts due on the termination pay. If the district has resources accumulated in the **Compensated Absences Fund**, part of

this payment would be shown as an expenditure from that fund. NOTE: THE SCLTL IS NORMALLY NOT ADJUSTED DURING THE YEAR.)

At fiscal year-end, to adjust the balance of the liability on the SCLTL: Calculate the liability at June 30 using the compensated absences worksheet. Adjust the balance of the liability account to the liability at June 30. For example, assume the liability on June 30 of year 2 is $4,800. Record $200 in column (b), Other Additions, to match the new balance.

5-1350.52 RECORDING COMPENSATED ABSENCES -- ENTERPRISE FUND TYPES

In the first year, to establish the compensated absence liability at year end: Determine the amount earned in the current year separately from the amount earned in previous years. For example, assume the liability is $4,600, of which $3,000 was earned in previous years.

An Enterprise Fund

Debit: 802	Expenditures	$4,600
Credit: 760	Compensated Absences Liability (long-term)	$4,600

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-160	Sick Leave Termination Pay	$ 800
XXX-XXX-XXXX-170	Vacation Termination Pay	$ 650
XXX-XXX-XXXX-2XX	FICA, PERS, Workers' Compensation, etc.	XXX-XXX-XXXX- $ 150
892 Prior Period Expenditures		
	Adjustment (1st yr. only)	$3,000

(To record estimated compensated absences liability at fiscal year end. The amount of liability related to compensated absences earned this fiscal year should be charged to current expenditures under expenditure objects 160, 170 and 2XX. For the liability related to prior years' service, the expenditure should be charged to object 892.)

On the Trustees' Financial Summary, the charge to 892 will be reported as a prior period adjustment to beginning fund balance. The charges to 160, 170 and 2XX will be reported as current expenditures. **5-1350.52RECORDING COMPENSATED ABSENCES -- ENTERPRISE FUND TYPES (Cont'd)**

To record termination payments made during the year:

An Enterprise Fund

Debit: 760	Compensated Absences Liability
Credit: 620 or 101	Warrants Payable or Cash

(To record payment of termination benefits to the employee and related FICA, PERS, Workers' Compensation, etc. to various benefit providers.)

In subsequent years, to record the compensated absence liability: Adjust the liability account balance to reflect the liability calculated as of June 30. Charge the increase in liability to current expenditure accounts. For example, assume the liability at June 30 of year 2 is $5,500. The liability balance on June 30 of year 1 was $4,000, and the district recorded a termination payment in the current year of $150. The liability account must be increased by $1,650 ($5,500 - 150 - 4000). An Enterprise Fund

Debit: 802	Expenditures	$1,650
Credit: 760	Compensated Absence Liability	$1,650

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-160	Sick Leave Termination Pay	$ XXX
XXX-XXX-XXXX-170	Vacation Termination Pay	$ XXX
XXX-XXX-XXXX-2XX	FICA, PERS, Workers' Compensation, etc.	$ XXX

(To record estimated compensated absences liability at fiscal year end. Adjust the 760 liability balance to match the liability amount calculated at year end. If the liability must be reduced, debit the 760 account and credit 1900 Miscellaneous Revenue, or 6100 Prior Period Revenue Adjustments, if material.)

5-1360.00 CLAIMS AND JUDGEMENTS (CONTINGENCIES)

5-1360.10 DEFINITIONS

"Claims" are potential losses that can arise from employment (e.g., workers' compensation and unemployment), contractual actions (e.g., delays or inadequate specifications), actions of government personnel (e.g., damage to government-owned vehicles), and governmental property (e.g., personal injury and property damage). In the context of insurance, claims may include demands for payment of policy benefits.

"Judgement" is an amount to be paid by a district as a result of a court decision.

5-1360.20 CLAIMS AND JUDGEMENTS LIABILITY

The liability for claims and judgements must be recorded if both of the following criteria are met:

a. Information available prior to the end of the fiscal year-end closing period indicates that it is probable that an asset has been impaired or a liability has been incurred. That is, the events leading to the liability are likely to occur; and

b. The amount of the loss can be reasonably estimated.

If the claims and judgements do not meet both criteria, the liability should not be recorded on the accounting records, but the contingency should be disclosed in the footnotes to the district's financial statements for that year.

If the district has a potential gain from claims and judgements, the facts should be disclosed on financial statements but should not be recorded on the accounting records.

5-1360.30 STATUTORY REFERENCES

The district may issue bonds for the purpose of funding a judgement against the district (20-9-403, MCA).

The district may adopt a budget amendment for a judgement for damages against the district rendered by a court after the adoption of the budget for the current year (20-9-161, MCA).

5-1360.40 BASIC ACCOUNTING PROCEDURES

NOTE: Claims and judgements encountered by school districts will normally be obligations of the district as a whole rather than obligations of a specific fund. For that reason, the discussion in this section is limited to governmental fund types only. If the district is involved in potential losses which may be construed to be the obligation of a specific fund other than the governmental fund types of the district, contact OPI for advise on special accounting procedures.

If both criteria in section 5-1360.20 are met, the liability must be recorded using the following procedures. The liability should be recorded in the SCLTL. In the fiscal year in which a portion is paid, the payment should be recorded as an expenditure in the Debt Service Fund, and the liability recorded in the SCLTL is reduced by the amount of the principal payment. At each fiscal year-end, the district **may** record the current portion of the liability (i.e., the payment due in the next fiscal year) as a current liability in the governmental type fund and reduce the long-term liability in the SCLTL for the current portion.

5-1360.50 RECORDING CLAIMS AND JUDGEMENT LIABILITIES

For example, assume on July 10, 2004 the district recognized a loss contingency which is considered probable and can be estimated. The claim existed at June 30, 2005. The district clerk learned of the claim in July. Since the financial statements and Trustees' Financial Summary are not yet submitted, the

contingency must be recorded for the year ended June 30, 2005. The amount to be paid during fiscal year 2004-05 using financial resources now available in the General Fund is $50,000. The total liability is $150,000, including the $50,000 current portion. The total liability will be paid over three years.

At fiscal year-end 2004-05, to record the portion of the liability payable within a year (current): This entry is optional. This entry records the part of the liability which is due in the next fiscal year as a current liability. The remaining liability should be recorded as a long-term liability in the SCLTL.

General Fund (01)

Debit:	802	Expenditures	$50,000
Credit:	622	Judgements Payable (current)	$50,000

Expenditures Subsidiary Ledger

X01-1XX-51XX-820	Judgements Against the District	$50,000

(To record the current portion of the liability for claims and judgements.)

At fiscal year-end 2004-05, record the portion of the liability payable beyond a year (long-term), or $100,000 on the SCLTL.

IF THE CURRENT PORTION WAS RECORDED IN THE DEBT SERVICE FUND, to record payment due during fiscal year 2005-06:

Debit: 622 Judgements Payable (current) $50,000 Credit: 620 or 101 Warrant Payable or Cash $50,000

(To pay the current part of the liability.)

IF THE CURRENT PORTION WAS NOT RECORDED IN THE DEBT SERVICE FUND, to record payment due during fiscal year 2005-06:

General Fund (01)

Debit:	802	Expenditures	$50,000
Credit:	620 or 101	Warrant Payable or Cash Expenditures	$50,000

Subsidiary Ledger

X01-XXX-XXXX-820	Judgements Against the District	$50,000

(To pay the current part of the liability.)

Reduce the long-term liability in the SCLTL by $50,000.

The payment of the portion due during subsequent fiscal years should be recorded using the same procedures shown above.

5-1400.00 CONSTRUCTION IN PROGRESS

5-1410.00 INTRODUCTION

5-1410.10 DEFINITIONS

"Construction in Progress" is the cost of construction work undertaken but not yet completed. The Construction in Progress row on the SCFA is a temporary capitalization of labor, materials, equipment, and overhead costs of a construction project which is not yet completed. Upon completion, capitalized costs are transferred to a fixed asset classification (e.g., buildings).

"Capitalize" means to record an item as a fixed asset on the district's accounting records and inventory records.

"Contractor's Gross Receipts Tax" is a license fee imposed on gross receipts on public contracts that exceed $5,000 (MCA 15-50-205). The school district for which the contractor is performing public work withholds 1% of all payments due the contractor and transmits that money to the Department of Revenue (MCA 1550-206(2)). The withholding form is available at http://discoveringmontana.com/revenue/css/default.asp.

"Schedule of Changes in Fixed Assets, Depreciation and Net Fixed Assets (SCFA)" is used to record the fixed assets of the district on the annual Trustees' Financial Summary (TFS). Capital construction projects and facilities acquired by the district must be recorded on the SCFA.

5-1410.20 BASIC ACCOUNTING PROCEDURES

The acquisition or construction of major capital facilities should be recorded as appropriate in the Building Fund (60) or Building Reserve Fund (61). These funds are called **Capital Projects Funds.** Construction costs may also be paid from the General Fund (01).

Capital Projects Funds are used when projects are financed by bond issues, special tax levies, federal funds, or major private donations. The receipt of bond proceeds or federal moneys to finance construction or acquisition of capital assets is normally recorded in the Building Fund (60). The Building Reserve Fund (61) is funded with a special voted levy. A separate control list should be kept for each project listing expenditures and the fund paid from.

When a Building Reserve Fund (61) levy has been approved by voters (MCA 20-6-502 and 20-6-503), the district may borrow money from the State Board of Investments (BOI) or other lender for limited projects and may pledge the levy to repay the loan.

Construction expenditures are recorded as incurred in the Building Fund. The entire amount of a contract for construction may be encumbered in the Building Reserve Fund at fiscal year-end if the contract is effective as of June 30 (See "ENCUMBRANCES," in section 5-0400 of this manual). At fiscal year-end, the expenditures recorded for the year are recorded as Construction in Progress. Construction in Progress accumulates the costs of construction completed at the end of each fiscal year.

Upon completion of the project, the accumulated costs recorded as construction work in progress are removed from that asset category and reclassified as site, site improvements, buildings and improvements, and machinery and equipment on the SCFA.

5-1420.00 RECORDING REVENUES FOR CONSTRUCTION PROJECTS

Construction is normally funded using either bond proceeds in a Building Fund (60) or with tax, and possibly loans, in the Building Reserve Fund (61). This section shows accounting transactions to record revenues and loans.

To record the receipt of proceeds of a bond issue for construction:
Building Fund (60)
Debit: 101 Cash $900,000 Credit: 402 Revenue $900,000
Revenue Subsidiary Ledger
X60-5110 Other Financing Sources-Sale of Bonds $900,000
(To record revenue for support of a construction project. Any premiums or accrued interest received on the sale of bonds should be deposited in the Debt Service Fund.)

To record the receipt of tax revenue in a Building Reserve Fund:
Building Reserve Fund (61)
Debit: 101 Cash $700,000 Credit: 402 Revenue
$700,000
Revenue Subsidiary Ledger
X61-1110 Tax Revenue $700,000

To record the receipt of a loan to be repaid using the Building Reserve Fund tax levy under MCA 209-502 and 503:
Building Reserve Fund (61)
Debit: 101 Cash $900,000 Credit: 402 Revenue
$900,000
Revenue Subsidiary Ledger
X61-5400 Other Financing Sources - BOI Loan $900,000
(To record a loan for support of a construction project.)

5-1430.00 RECORDING EXPENDITURES FOR CONSTRUCTION PROJECTS

To record a payment:

Building Fund (60) or Building Reserve Fund (61)

Debit: 802	Expenditures	$55,000
Credit: 620 or 101	Warrants Payable or Cash	$55,000

Expenditures Subsidiary Ledger

X60/61-100-4XXX-720	Buildings and Building Improvements	$55,000

For fixed assets acquired by the capital projects funds, the asset should be reported on the SCFA at the end of the fiscal year or upon the completion of a construction project.

OPTIONAL--To record the encumbrance of the budget of the Building Reserve Fund (If the district uses encumbrance accounting throughout the year)**:**

Building Reserve Fund (61)

Debit: 803	Encumbrances	$900,000
Credit: 953	Reserve for Encumbrances	$900,000

(To encumber the amount of a construction contract on a building. Encumbrance is OPTIONAL.)

If the contract was encumbered in the current year, to record a construction expenditure: For example, assume the costs incurred for construction materials was $5,000 and construction labor was $50,000.

Building Reserve Fund (61)

Debit: 802	Expenditures	$55,000
Credit: 620 or 101	Warrants Payable or Cash	$49,500
Credit: 631	Const. Contract Retainage Payable	$ 5,500

Expenditures Subsidiary Ledger

X61-100-4600-720	Buildings and Building Improvements	$55,000

Debit: 953	Reserve for Encumbrances	$55,000
Credit: 803	Encumbrances	$55,000

(To record partial payment on an encumbered contract.)

The amount paid to the contractor is computed as follows:

Amount billed by contractor (materials and labor)	$55,000
Less: 10% Retainage	($ 5,500)
Net Amount Due	$49,500
Less 1% Contractors Gross Receipt Tax (payable to MT Dept of Revenue)	($ 495)
Net Amount Payable to Contractor	$48,005

When the retainage amount is released (paid) to the contractor:

Building Fund (60) or Building Reserve Fund (61)

Debit: 631 Const. Contract Retainage Payable $ 5,500 Credit: 620 or 101 Warrants Payable or Cash $ 5,500

(To record payment of retainage on construction contract.)

If the contract was encumbered in a prior year, to record a construction expenditure: For example, assume the district recorded an encumbrance for the entire contract in the prior year. The encumbrance was charged to the budget and shown as an expenditure in that year. This entry reduces the reserve for encumbrances by the amount of the payment. Building Fund (60) or Building Reserve Fund (61)

Debit: 953 Reserve for Encumbrances $ 6,700 Credit: 620 or 101 Warrants Payable or Cash $ 6,700

(To reduce the reserve by the payment which was shown as an expenditure when encumbered in the prior year.)

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5-1430.00 RECORDING EXPENDITURES FOR CONSTRUCTION PROJECTS (cont'd)

If the contract was not encumbered, to record a payment:

Building Fund (60) or Building Reserve Fund (61)

Debit: 802	Expenditures	$55,000
Credit: 620 or 101	Warrants Payable or Cash	$49,500
Credit: 631	Const. Contract Retainage Payable	$ 5,500

Expenditures Subsidiary Ledger

X60/61-100-4XXX-720	Building and Building Improvements	$55,000

For fixed assets acquired by the capital projects funds, the asset should be capitalized on the SCFA at the end of the fiscal year.

Construction in Progress accumulates the costs of construction completed at the end of each fiscal year. When the construction is complete, the accumulated contract amount in Construction in Progress is moved to a specific asset category (Land, Buildings and Other Improvements, or Machinery and Equipment) on the SCFA.

5-1440.00 CLOSING THE CAPITAL PROJECTS FUND

When a construction project is completed, the district should close the Building Fund or Building Reserve Fund as follows:

To record the transfer of the remaining proceeds of the bond issue after the project's completion:
(20-9-508, MCA)

Building Fund (60)

Debit: 802	Expenditure Control	$10,000
Credit: 101	Cash	$10,000

(To record the transfer of remaining bond proceeds to the debt service fund.)

Expenditure Subsidiary	X60-999-9999-971	$10,000

Debt Service Fund (50)

Debit: 101	Cash	$10,000
Credit: 402	Revenue Control	$10,000

(To record the transfer-in of the bond proceeds remaining after the building project was completed.)

Revenue Subsidiary	X50-9710	$10,000

The district should send written notice to the county treasurer to transfer the money to the debt service fund. **The transfer shown in this entry should not be done using a warrant between funds.**

To close a Building Reserve Fund to any fund at the trustees' discretion (20-9-208, MCA):

Building Reserve Fund (61)

Debit: 802	Expenditures	$2,500
Credit: 101	Cash	$2,500

Expenditure Subsidiary Ledger

X61-999-9999-971	Residual Equity Transfer Out	$2,500

(To close the balance remaining in the Building Reserve Fund after completion of the project.)

Any fund

Debit: 101 Cash $2,500 Credit: 402 Revenue $2,500

Revenue Subsidiary Ledger

XXX-9710 Residual Equity Transfer In $2,500 (To record the receipt of the balance of the closed Building Reserve Fund after the project was completed.)

5-1600.00 LIST OF RECEIVABLES AND PAYABLES

This section lists the most common receivables and payables a district may record. The list is not meant to be a complete list but rather is a suggested checklist to use in reviewing for possible adjustments needed at fiscal year-end.

At fiscal year-end, the district must record any of the following receivables or payables (liabilities) which are material (i.e., significant in amount, usually greater than or equal to $100):

RECEIVABLES

Taxes Receivable
- Real
- Personal
- Protested

Federal and State Grant Reimbursements Receivable School
- Foods Federal Reimbursement and State Match

Interest Receivable on Investments

Tuition Receivable

Drivers' Education Program Receivable

Transportation Reimbursement Receivable

Other Payments Receivable from Governmental Units Including OPI, Other School Districts, the County, or Other State Agencies, etc.

PAYABLES

Salaries and Benefits Payable
- Workers' Compensation Premiums and Payroll Taxes
- Board's last offer as of June 30 for current year salaries related to unsettled bargaining

Unpaid Invoices for Goods and Services Received by June 30
- Supplies
- June Phone Charges
- June Utilities
- Equipment
- Cleaning and Repair Services
- Credit Card Charges

Tuition Due to Other School Districts

Refunds Due to Grantors

Other Payments Owed to Other Governmental Units Including OPI, Other School Districts, the County, or Other State Agencies, etc.

5-1700.00 WORKERS' COMPENSATION PREMIUM ACCRUAL

Districts are required to provide workers' compensation coverage for employees. The Montana Department of Labor and Industry (DLI) regulates the workers' compensation industry in Montana.
School districts may obtain coverage from the State Fund, self insurance, such as the Montana School Boards Association's Workers Compensation Risk Retention Program (WCRRP) or private insurance carriers.

Workers compensation premiums are calculated using three factors: (1) class code rate; (2) experience modification factor, and (3) volume discount.

Class Code Rate: The class code is based on the type of business and includes all types of labor. Montana school districts have two class codes: Class 8868 - College/School: Professional & Clerical, and Class 9101 – All Other Employees & Drivers. Rates are established based on the financial need of the insurance carrier and the premium and loss experience in each class code. Rates are usually reviewed on an annual basis.

Experience Modification Factor: The experience modification factor represents an individual firm's (district's) experience compared to the expected experience of all businesses using the same class code. The average factor is expressed as 1.00. A factor less than 1.00 will result in a lower premium due while a factor of greater than 1.00 will result in a higher premium due. Experience modification factors are reviewed on an annual basis, based on an evaluation of payroll and accident experience for three previous years.

Volume Discount: Volume discount reduces premium due from employers whose premiums reach established levels. The discount is deducted from the adjusted standard premium. Rates are based on the employer's estimated annual premium.

Premiums are usually calculated by multiplying the employees' gross wages for each class code by the class code rate to determine the standard premium. The sum of standard premiums for each class code is then multiplied by the experience modification factor to get the adjusted standard premium. The adjusted standard premium is then reduced by the volume discount. Insurance carriers may have different terminology for each step in the calculation and other premium modifiers may be applicable, depending on the insurance company.

The timing of payment of workers' compensation premiums depends on the insurance carrier. For example, State Fund determines an estimated annual premium and bills the premium due at the beginning of the fiscal year. Depending on the level of premium due, a percentage of the total estimate is paid up front and installments for the balance due thereafter. These accounts are subject to an annual audit and are reconciled to actual payroll. WCRRP calculates premiums based on quarterly reported payroll (i.e., January thru March, April thru June, July thru September and October thru December). Premiums are due by the 15th of the month following the end of the payroll quarter. Private insurance carriers operate similar to the State Fund. Employers are prohibited from deducting or obtaining any part of the premium from employees (39-71-406 MCA).

Workers' compensation premiums applicable to the current year's actual payout of salaries and benefits should be recorded as expenditures. If the district owes premiums on June 30 on wages charged to the current year, the amount of premiums owed must be accrued. If the amount of premiums owed is less than $100, the district may choose not to record the accrual since it would not materially misstate the financial statements or Trustees' Financial Summary. If the district determines the amount due and pays by June 30, no accrual is needed. The amount to accrue for premiums due for the quarter ended June 30

may be determined by contacting the district's insurance carrier. A worksheet illustrating the method used by WCRRP is provided in this section.

The following example illustrates the use of the Workers' Compensation Accrual Worksheet.

EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET

See "WORKERS' COMPENSATION ACCRUAL WORKSHEET" on the next page.

For example, assume the gross wages paid for the first class of employees, College/School: Professional & Clerical (Class 8868), were $25,000 for the quarter ended June 30. Gross wages paid to the other class of employees, All Other Employees & Drivers (Class 9101), were $50,000.

The rates of premium applied to payroll are set yearly. Assume for this example the rates are .24 for class 8868 and 4.01 for class 9101. The modification rate reported to each district by the WCRRP at the beginning of the year is unique to the district and changes annually. Assume the rate for this example is .90.

Each year, volume discount rates are set for each school district. For this example, assume the volume discount rate is 3.0%:

The example above is illustrated on the following worksheet.

EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET (Cont'd)

WORKERS' COMPENSATION PREMIUM ACCRUAL WORKSHEET

Fund / Fund Number General Fund

Worksheet for the Quarter Ended June 30, 2XXX

	Class Code (a)	Gross Payroll (b)	Divided by 100 ((b)/100) (c)	Rate for Class (d)		Total (e)
(1)	8868	$ 2 5,000.00	$ 250.00	0.24	$	6 0.00
(2)	9101	$ 5 0,000.00	$ 500.00	4.01	+	$2,005.00
(3)	Standard Premium (1e plus 2e)				$	2,065.00
(4)	Experience Modification Factor				x	.90
(5)	Adjusted Standard Premium (3e times 4e)				$	1,858.50
(6)	Volume Discount this Period (5e times 3.0%)				-	$55.76
(7)	Premium Due (5e less 6e)				$	1,802.74

EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET (Cont'd)

WORKERS' COMPENSATION PREMIUM ACCRUAL WORKSHEET

Fund / Fund Number _____

Worksheet for the Quarter Ended June 30, 2___

Class Code (a)	Gross Payroll (b)	Divided by 100 ((b)/100) (c)	Rate for Class (d)	Total (e)
(1) 8868				
(2) 9101				
(3) Standard Premium (1e plus 2e)				
(4) Experience Modification Factor				
(5) Adjusted Standard Premium (3e times 4e)				
(6) Volume Discount this Period (5e times ____%)				
(7) Premium Due (5e less 6e)				

5-1720.00 RECORDING THE WORKERS' COMPENSATION ACCRUAL

To record the Workers' Compensation Premium liability at fiscal year-end:

Debit: 802	Expenditures	$1,802.74
Credit: 661	Salaries and Benefits Payable	$1,802.74
Expenditures Subsidiary Ledger		
XXX-XXX-XXXX-250	Workers' Compensation	$1,802.74

(To record the workers' compensation premium for the quarter ended June 30.

To record the premium payment in the next fiscal year:

Debit: 661 Salaries and Benefits Payable $1,802.74 Credit: 620 or 101 Warrants Payable or Cash $1,802.74

(To record payment for workers' compensation premiums for the quarter ended June 30. This entry reverses the liability recorded at fiscal year-end. If the actual premium paid differs slightly from the amount accrued, charge the difference to current expenditures in the year paid. See 5-0340.00, "RECORDING DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.")

5-1800.00 EMPLOYEE-RELATED PROCEDURES

5-1800.10 DEFINITIONS

"Employee" is an individual who performs services subject to the will and control of an employer, as to both what must be done and how it must be done. Employers are required to provide workers' compensation to employees.

"Independent Contractor" is an individual who performs a service that is offered by that individual to the general public in an independent trade, business, or profession. The contractor usually decides what is to be done and how it is done. An independent contractor must provide the school district with a Certificate of Insurance proving they have workers' compensation insurance covering themselves and their employees otherwise the school district may be liable.

5-1810.00 PAYROLL

5-1810.10 CERTIFIED STAFF

Teachers, specialists, principals, and superintendents hold teacher or administrative certificates. As a result, they are known as "certified staff." They must register their certificates with the county superintendent within 60 calendar days of employment and continue to register renewed certificates every five years. After 60 calendar days from the first day of employment or 60 days after the first day of school each year (20-4-202, MCA) the school district may not pay a certified staff member until the county superintendent notifies the school district a valid certificate has been registered.

Certified staff must be employed by contract (20-4-201, MCA). Salary and other rates of pay are set by the board or negotiated through collective bargaining. Certified staff may be paid salaries in 9,10, or 12 monthly installments depending upon board policy or collective bargaining agreements. Certified staff may also have supplemental contracts for additional duties such as, extracurricular activities, summer time curriculum development, etc. Other forms of compensation, such as housing or other allowances should be included in the contract. If they are not a requirement of employment, these items are considered taxable income and must be included on the employee's W-2 form.

The school district is authorized to withhold pay from any teacher who does not follow state law, board policy, or use the course of instruction prescribed by the trustees (20-4-301, MCA).

According to the OPI State and Federal Grants Handbook, all non-teaching employees, substitute teachers and teachers who receive their wages or salaries from Federal projects must use some form of time records.

5-1810.20 NON-CERTIFIED/CLASSIFIED STAFF

Employees who do not hold teaching or administrative certificates are known as "non-certified staff." They are also referred to as "classified staff" because they are classified by work duties such as custodians, secretaries, aides, bus drivers, and cooks. Classified staff are usually paid on an hourly basis and fall under the Montana and Federal Labor Standards Act. Regardless of whether a non-certified employee is paid on a salary or hourly basis, classified staff must complete and submit time records to the employer to comply with the state and federal minimum wage acts and the OPI State and Federal Grants Handbook. Some form of time records must be kept by any employee who receive their wages or salaries from federal projects. See **5-1810.20 NON-CERTIFIED/CLASSIFIED STAFF (cont'd)**

Recording Keeping (5-1870.00) for more information. The requirements for time records, minimum wage, and overtime pay can be found in 39-3-401 through 39-3-409, MCA, or by calling the Department of Labor and Industry at 406-444-5600 or by writing to P.O. Box 6518, Helena, MT 59604. Salary and hourly rates are set by the board or negotiated through collective bargaining.

5-1810.30 PAYROLL – HOW PAID

The chairman of the board and the clerk must countersign payroll warrants. The use of facsimile signatures is also permitted, providing the conditions set out in 2-16-114 and 20-9-221(2), MCA, are followed. Trustees may issue warrants for wages and salaries on a direct deposit basis to the employee's account in a local bank, with the approval of the employee. The employee must be given an itemized statement of payroll deductions for each pay period (20-9-221(4), MCA).

See Section 39-3-205, MCA, for special procedures concerning final paychecks. Section 39-3-206, MCA, provides penalties against the employer for failure to pay wages timely.

5-1810.40 ALLOCATING PAYROLL COSTS BETWEEN DISTRICTS AND FUNDS

Administrative Rule 10.10.303 provides the following guidelines for school districts to allocate costs between districts and funds.

10.10.303, ARM, 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.)

5-1820.00 WITHHOLDINGS AND DEDUCTIONS

5-1820.10 FICA, MEDICARE, FEDERAL AND STATE INCOME WITHHOLDING

All compensation paid, regardless of whether it is paid based upon salary or hourly wages or to temporary or permanent employees, is subject to Social Security (FICA), Medicare, and federal and state income tax withholding. Amounts paid which are supplemental to an employee's contract, such as extracurricular activities are also subject to income tax withholding. IRS Publication 15/Circular E requires withholding on supplemental wages at 20%. The Montana Department of Revenue allows a 6% flat withholding. Other forms of compensation, such as housing or other allowances may be taxable income. The value is to be included on the employee's W-2 form, if they are not a requirement of employment. Withholding for retirement contributions is mandatory for permanent full-time and part-time employees. Temporary

employees who do not meet membership criteria are not subject to withholding for retirement. Employee contributions to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS) and tax-sheltered annuity contracts are not subject to federal and state income tax withholding. However, contributions to tax-sheltered annuity contracts are subject to retirement contributions.

You do not have to withhold federal income tax from amounts you pay an independent contractor. But, if you pay an independent contractor $600 or more during the calendar year, you must file a Form 1099-MISC, Statement for Recipients of Miscellaneous Income.

FICA, Medicare, and federal income taxes must be deposited timely in accordance with the rules found in Publication 15/Circular E, The Employers Tax Guide. Larger school districts are required to deposit these taxes within three days after a payday. Similarly state income tax, retirement and unemployment taxes must be reported and deposited timely. Failure to deposit employee and employer contributions timely can result in substantial penalties. Be sure to obtain and review all reporting instructions and deposit requirements from all federal and state agencies related to payroll withholding. To obtain copies of instructions to complete state withholding reports and deposit requirements, contact the Department of Revenue at 406-444-6900.

5-1820.20 RETIREMENT CONTRIBUTIONS

School districts participate in two retirement systems. The first is the Teachers' Retirement System (TRS) and the second is the Public Employees' Retirement System (PERS). Withholding for retirement contributions is mandatory for permanent full-time and part-time employees. Temporary employees who do not meet membership criteria are not subject to withholding for retirement. Employee contributions to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS) and tax-sheltered annuity contracts are not subject to federal and state income tax withholdings. However, contributions to tax-sheltered annuity contracts are subject to retirement contributions

TRS
Any teacher, specialist, principal, or district superintendent is required to be a member of the Montana Teachers' Retirement System. The requirement applies to certified and non-certified teachers, school nurses, and temporary, part-time or substitute teachers who are employed 30 days or more (not necessarily consecutive) in one school year (19-20-302, MCA). Check with TRS for rules regarding working retirees. TRS requires monthly reporting of name, social security number, monthly salary paid, contributions, and full-time equivalency (FTE). Contact TRS at 406-444-3134 for copies of instructions to submit monthly reports and deposit contributions.

5-1820.20 RETIREMENT CONTRIBUTIONS (cont'd)

PERS
Any permanent non-certified employee of a participating school district becomes a member of the Public Employees' Retirement System on the first day of employment (19-3-401, MCA). The following may not become members: elected officials, independent contractors, employees not working more than 120 days in any fiscal year, persons over 60 years of age, students, or others set forth in the law (19-3-403, MCA). PERS requires monthly reporting of name, social security number, earnings, contributions, and hours. Contact PERS at 406-444-3154 for copies of instructions to submit monthly reports and deposit contributions.

5-1820.30 403(b) TAX DEFERRED RETIREMENT PLANS

The Association of School Business Officials International (ASBO) released guides in 1999 and 2004 concerning 403(b) Tax Deferred Retirement Plans for School Organizations. For a copy of the guide, contact ASBO at 11401 North Shore Drive, Reston, VA 20190-4200, telephone 703-478-0405, or see the following website: http://www.asbointl.org.

5-1830.00 OTHER EMPLOYER PAYMENTS

5-1830.10 STATE UNEMPLOYMENT TAX

School districts are only required to pay state unemployment contributions and do not have to pay federal unemployment. School districts must participate in the State of Montana Unemployment Program or the Montana Schools Unemployment Insurance Program (MSUIP) administered by the Montana School Board Association (MTSBA). Total payroll includes all wages paid to all employees. Some types of wages, including salaries paid to elected public officials, are exempt from the reporting requirement. Wage limitations are used when unemployment contributions are calculated. Maximum taxable wages are set each calendar year.

To obtain copies of instructions to complete reports and deposit requirements, contact the Department of Revenue or MSUIP.

5-1830.20 WORKERS' COMPENSATION INSURANCE

School districts may obtain workers' compensation coverage from the State of Montana Division of Workers' Compensation also known as the "Montana State Fund", private carriers, or be self-insured. The two most popular providers are the Montana State Fund and a private carrier established by school district officials called the Workers' Compensation Risk Retention Program (WCRRP). WCRRP is administered by the Montana School Board Association. Each provider calculates premiums based upon premium rates in two categories multiplied by the amount of payroll for that category. Premiums are also adjusted for high or low claim experience and volume discounts. See Workers' Compensation Premium Accrual (5-1700.00) for more information.

Employers are required to provide coverage for all district employees, including full-time, part-time, seasonal, or occasional employees. Volunteers may be covered at the option of the district. The only exception for school districts is that an official, timer, referee or judge at a school amateur athletic event does not require coverage, unless the person is otherwise employed by a school district (39-71-401(2)(j), MCA).

To obtain copies of instructions to complete reports and deposit requirements, contact the Montana State Fund or WCRRP.

5-1830.30 GROUP INSURANCE PREMIUMS

To establish group insurance, a two-thirds vote of all the employees of the school district is required (2-18-702, MCA). The employer's premium contributions may exceed, but shall not be less than, $10.00 per month (2-18703(3), MCA).

5-1830.40 VEBA/COBRA/EMPLOYEE PAID PREMIUMS AFTER TERMINATION

Schools wishing to participate in the state Voluntary Employee Beneficiary Association (VEBA) should contact the State Employee Benefits Bureau at (406) 444-3745. Upon a vote of an employee group, terminating employees can deposit terminating sick leave pay into the plan tax-free to be used to pay health insurance premium or medical costs upon termination.

Section 2-18-704, MCA, allows retiring staff members to continue with the school district's health insurance plan providing the employee pays the health insurance premium.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) an employee or the spouse or child of an employee, may elect to continue coverage between 18 and 36 months in the school district's health insurance plan under certain circumstances. The employee, spouse, or child must pay the health insurance premiums. Contact OPI for more information.

COBRA or retired employee paid premiums are accounted for using Fund 89 Retirement/COBRA Insurance Fund.

5-1840.00 HOLIDAYS, VACATION, SICK, AND PARENTAL LEAVE

5-1840.10 HOLIDAYS

School holidays are listed in Section 20-1-305, MCA. These holidays are different than the holidays for state or other local governments. Section 2-18-601 (6), MCA, provides this is a paid day off for non-teaching staff.

5-1840.20 CERTIFIED STAFF – VACATION AND SICK LEAVE BENEFITS

Section 2-18-601, MCA, specifically excludes schoolteachers from the holiday, vacation and sick leave statutes. This is probably because most school districts only operate during a 187-day school year rather than a conventional 260-day work year. Collective bargaining agreements frequently provide a small number of personal leave days a year and sick leave benefits similar to the classified staff.

School district superintendents may or may not be subject to Section 2-18-601, MCA. In Bitney vs. School District No.44, the court found the superintendent was entitled to the benefits provided to classified staff in 218-611 and 2-18-618, MCA. A similar decision was made by the Commissioner of Labor in Walsh vs. Plentywood School District No. 20.

5-1840.30 CLASSIFIED STAFF VACATION LEAVE

Permanent non-teaching employees are entitled to vacation leave, with pay, after they have been continuously employed for six months (2-18-611, MCA). Vacation leave is earned, however, from the first full pay period. The rates of earned vacation leave vary with the period of service, as follows: (2-18-612, MCA)

a. First ten years of employment, at the rate of 15 working days per year;
b. Ten to fifteen years of employment, at the rate of 18 working days per year;
c. Fifteen to twenty years of employment, at the rate of 21 working days per year;
d. After twenty years of employment, at the rate of 24 working days per year.

5-1840.30 CLASSIFIED STAFF VACATION LEAVE (cont'd)

In determining years of employment, each entity must include employment with other entities that qualify (Attorney General Opinion 4, Volume 33).

Annual vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually as of the end of the first pay period of the next calendar year. Excess vacation leave is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued (2-18-617, MCA). The trustees may also pay employees for unused vacation in lieu of accumulation either through provisions in a collective bargaining agreement or by board policy.

Upon termination, in most cases an employee is entitled to cash compensation for unused vacation leave (2-18-617, MCA) including the district superintendent.

Permanent part-time employees are entitled to prorated vacation benefits if they have worked the qualifying period (2-18-611, MCA). Multiply the total number hours paid (regular, holiday, vacation, and sick leave hours) excluding overtime hours by one of the following appropriate rates:

15 days X 8 hr = 120 hrs / 2080 hrs = .058 X Hours Paid
18 days x 8 hr = 144 hrs / 2080 hrs = .069 X Hours Paid
21 days x 8 hr = 168 hrs / 2080 hrs = .081 X Hours Paid
24 days x 8 hr = 192 hrs / 2080 hrs = .092 X Hours Paid

The benefits found in Sections 2-18-611 and 2-18-618, MCA, are the minimum and maximum vacation and sick leave benefits and may not be changed through collective bargaining as set forth in Attorney General Opinion 20, Volume 38.

5-1840.40 CLASSIFIED STAFF SICK LEAVE

Each permanent, full-time, non-teaching employee is entitled to sick leave, with pay, after they have been continuously employed for ninety days. Sick leave is earned, however, from the first full pay period. Sick leave is earned at the rate of twelve days a year. There is no restriction as to the maximum number of days of sick leave that can be accumulated (2-18-618, MCA).

Permanent, part-time, non-teaching employees are entitled to prorated sick leave benefits if they have worked the qualifying period (2-18-618, MCA). Multiply the total number hours paid (regular, holiday, vacation, and sick leave hours) excluding overtime hours by the following rate:

12 days X 8 hr = 96 hrs / 2080 hrs = .046 X Hours Paid

Upon termination, an employee is entitled to cash compensation for 1/4 of his sick leave accumulation, computed on the basis of his salary at the time of termination. Cash compensation should only be allowed for sick leave earned since July 1, 1971 (2-18-618, MCA).

The benefits found in Sections 2-18-611 and 2-18-618, MCA, are the minimum and maximum vacation and sick leave benefits and may not be changed through collective bargaining as set forth in Attorney General Opinion 20, Volume 38.

5-1840 .50 PARENTAL LEAVE

According to the federal Family and Medical Leave Act, school districts must develop a parental leave policy. School districts may contact OPI for a copy of the state Parental Leave Policy (2-18-606, MCA).

5-1850.00 TRAVEL AND PER DIEM

The board of trustees should establish a policy regarding travel and reimbursement rates for meals and lodging. Section 2-18-503, MCA, provides the school district must reimburse employees the mileage rate allowed by the Internal Revenue Service when a private car is used on official school district business. School districts may make travel advances to employees required to travel. There should, however, always be a subsequent accounting by the employees upon completion of the trip.

According to the Federal Circular A-87 Allowable Costs for Federal Grants, separate per diem and lodging rates cannot be established for federal funds and state or local funds. Federal programs must be charged the same rates as state and local funds.

5-1860.00 NOTICES/POSTERS

All employers are required to post the following federal law labor notices in the workplace. These notices can be acquired from the various federal agencies, Legal Work Force offices, or purchased from various vendors who combine all five notices on to one poster:

Equal Employment Opportunity Employer
Federal Minimum Wage Rate
OSHA – Job Safety and Health Protection Notice
Employee Rights under the Family and Medical Leave Act of 1993
Employee Polygraph Protection Act

Some “all in one posters” show Job Safety and Health Notice for private employers. To obtain a poster for public employers, contact the Montana Department of Labor and Industry at 406-444-5600.

State law also requires all employers post notice employees are covered by unemployment and workers’ compensation insurance.

5-1870.00 RECORDKEEPING

5-1870.10 TIME RECORDS – CERTIFIED STAFF

According to the OPI State and Federal Grants Handbook, all non-teaching employees, substitute teachers, and teachers who receive their wages or salaries from Federal projects must use some form of time records. Please refer to the Grants Handbook for a sample time record. There are no laws or regulations requiring certified staff paid from non-federal funds to complete time records. However, the trustees may require time records through board policy. At minimum, most school districts establish policies for certified staff to report absences.

5-1870.20 TIME RECORDS – CLASSIFIED STAFF

The Montana and Federal Minimum Wage Act requires each classified employee to submit a signed time record each payroll period showing the hours worked each day and the hours of vacation or sick leave taken each day. This time record should be approved by the employee’s supervisor and then used to post the leave records. The school district should maintain leave records for all qualified employees showing vacation and sick leave earned, used, and the balance remaining. The requirements for time records, minimum wage, and overtime pay can be found in 39-3-401 through 39-3-409, MCA, or by calling the Department of Labor and Industry at 406-444-5600 or by writing to P.O. Box 6518, Helena, MT 59604.

5-1870.30 MONTHLY PAYROLL RECAP

In order to effectively control payroll, school districts should prepare a monthly payroll recap or worksheet, which shows gross payroll, deductions, and net payroll. The monthly recaps should be then used to double check monthly, quarterly, or annual reports filed with the various agencies related to payroll. The recap should be prepared by hand or using an electronic worksheet rather than a computer generated report. The idea is to check that the amounts from the computer or on the particular payroll report are correct.

5-1870.40 MONTHLY TICKLER FILE

Another control device used by some school districts is a monthly tickler file. At the beginning of the school year, various time sensitive items (such as, which month a particular extracurricular contract will be paid separately, when union dues deductions begin and end, reminders about when rate changes take effect i.e. FICA usually changes Jan 1st, etc.) are organized and placed in the proper month of the tickler file. This file is also used during the month to control and organize corrections from the past month, time sheets, employee absences, new employee forms, etc. to process the current month’s payroll.

5-1870.50 PAYROLL MANUAL/NOTEBOOK

Districts should consider keeping a **PAYROLL MANUAL/NOTEBOOK** separated by the following divider sections and containing the following information:

Payroll Policies
- Drug Free Workplace Policy
- Hatch Act/Political Activity Policy for Federal Funded Employees
- Workplace Violence Policy
- Workplace Safety Policy
- Sexual Harassment Policy

Parental Leave Policy
Ethics/Standard of Conduct /Purchasing/Nepotism Policies
Vacation and Sick Leave Policies
School District Travel Policies
I-9 Instructions, Reports and Regulations
FICA and Federal Withholding Reports and Regulations
Circular E/Publication 15
Instructions to complete W-4's
Instructions to complete W-2's
Network Acceptable Use Policy **5-1870.50**

PAYROLL MANUAL/NOTEBOOK (cont'd)

Montana State Withholding Guide
Montana State Unemployment Tax Report and Regulations
Teachers' Retirement Report and Regulations
Public Employees Retirement Report and Regulations
Tax Sheltered Annuities 403(b) Regulations
Workers' Compensation Report and Regulations
Collective Bargaining Agreements
COBRA/VEBA/Retirement - Health Insurance Procedures
Cafeteria Plan Agreements
Montana and Federal Fair Labor Standards Regulations
Miscellaneous
New Employee Checklist
Time Sheet Example

This notebook should serve as an operational guide and not be used to file monthly, quarterly, or annual reports. Additional topics should be added or obsolete topics deleted as necessary.

5-1880.00 SAMPLE FORMS

Following pages contain sample forms.

5-1880.10 DECEDENT'S DESIGNATION TO RECEIVE WARRANTS

School District Name: _____	DESIGNATION OF PERSON AUTHORIZED TO RECEIVE DECEDENT'S WARRANTS

INSTRUCTIONS TO EMPLOYEES

1. Complete this form in duplicate (typewritten or in ink).
2. Show the designee's full name; for example, "Mary Jane Smith", not Mrs. John E. Smith.
3 Show designee's Social Security number and date of birth.
4. Erasures or corrections may not be made in the writing of designees' name. If an error has been made, complete a new set of forms.
5. Sign both copies in ink. Submit both copies to your personnel office or payroll clerk. The duplicate copy will be returned to you for your record or for you to give to the designee.
6. You may change your designation at any time by filing a new designation with your personnel office or payroll clerk.
7. You may completely revoke a designation at any time by a letter to your employer signed by you (submit in duplicate).
8. Inform your personnel office or payroll clerk when a change occurs in your designee's address.

INSTRUCTIONS TO SUPERVISORS

1. Review the prepared form to ensure that the employee has completed it properly.
2. Advise the employee that this form is a legally binding document.
3. Have your employees periodically review their designation.

EMPLOYEE'S NAME		
	(FIRST) (MIDDLE) (LAST)	SOCIAL SECURITY NUMBER

DESIGNEE

Pursuant to Section 2-18-412, MCA, I hereby designate the following person who notwithstanding any other provision of law, shall be entitled upon my death to receive all warrants, excluding warrants for payment of death benefits and refund of employee retirement contributions, that would have been payable to me as a result of my employment with the school district/coop had I survived:

(FIRST) (MIDDLE) (LAST)	SOCIAL SECURITY NUMBER	DOB
DESIGNEE'S ADDRESS	CITY, STATE, & ZIP CODE	

STIPULATION

I hereby revoke any previous designation filed by me.

If the above-named designee cannot be contacted within sixty (60) days after the date of my death, this designation shall be void.

This designation will remain in full force and effect during my employment with the school district/coop identified below until revoked in writing by me. This designation will automatically terminate on the date final payment is received as the result of said employment.

NAME OF BOARD FOR WHICH YOU ARE EMPLOYED

EMPLOYEE

SIGNATURE	DATE
ADDRESS	
CITY STATE ZIP	
Form P-3 (Revised 12-95)	

AGENCY USE

REVIEWED BY AND DATE	
DESIGNATION	DATE
Revoked	
Auto canceled	

DATE DECEASED _____CERTIFYING OFFICER

6-0000.00 OPI FORMS CALENDAR

Form Number	Description	Completed By	Due To	Due Date	Data About	District or County Use
	DISTRICT BUDGETS & EXPENDITURES					
	District Final Budget Report 20-9-131, MCA 20-9-134, MCA	District Supt/Clerk (Board of Trustees) (County Supt.) (County Commissioners)	Trustees Adopt County Supt. **OPI**	On/before Aug. 15 within 5 days after adoption **2nd Mon. in Sept.**	District	
TFS	Annual Trustees' Financial Summary (TFS) 20-9-213, MCA 20-9-211, MCA	District Clerk Board of Trustees County Supt.	County Supt. **OPI**	2nd Mon in Aug. **2nd Mon. in Sept.**	District	
FP-5a	Application for Classification as an Isolated School 20-9-302, MCA	Board of Trustees County Supt. County Commissioners	County Supt. County Commissioners **OPI** Approval to District	May 1 May 15 **June 1** 4th Mon. in June	District	
	COUNTY REPORTS					
FP-6a	County Treasurer's Statement to the County Superintendent of Schools 20-9-121, MCA	County Treasurer	County Supt.	July 10	District	
FP-6b	County Treasurer's Report of County Wide School Funds 20-9-121, MCA	County Treasurer County Supt.	County Supt. **OPI**	July 10 **Aug. 15**	County	
FP-7	County Payments for Tuition	County Supt	OPI	With FP-6b if cty paid tuition during past yr	County	
	JOINT DISTRICT REPORTS					
FP-8a	Joint District Basic Data Transmittal Form 20-9-151, MCA	Non-Located Co. Supt. Located County Supt.	Located Co. Supt. Non-Located Co. Supt.	Recommend: Aug 8 Recommend: Aug 15	Joint District	
FP-8b	Joint District Tax Levy Summary 20-9-152, MCA	Located County Supt. County Superintendents	Non-Located Co. Supt. County Commissioners	3rd Mon. in Aug. Friday preceding 4th Monday in August	Joint District	
FP-10A	County Transportation/Retirement Fund Mill Levy Calculation Worksheet	County Supt	OPI	2nd Monday in Sept	County	
	CERTIFICATION OF MILL LEVIES					
FP-9	Certification of District and County Mill Levies 20-9-142, MCA	Generated by OPI, Signed by: County Clerk/Recorder County Treasurer County superintendent	**OPI**	**Sept. 15** from Sept. 15 through Oct. 15	District/Co.	

OTHER RELATED FORMS ON BACK!

6-0000.00 OPI FORMS CAL ENDAR

Form Number	Description	Completed By	Due To	Due Date	Data About	District or County Use
	AVERAGE NUMBER BELONGING REPORTS					
	Fall Enrollment Form 1st Monday in October count	Principal/Teacher District Supt. County Supt.	**OPI .....** **(Send copy to County Supt.)**	**2 wks after count date .October**	District	
	Spring Enrollment Form February 1 count	Principal/Teacher District Supt. County Supt.	**OPI .....** **(Send copy to County Supt.)**	**2 wks after count date February**		
PAA-3	Application for Additional ANB	Board of Trustees County Supt.	County Supt. ..... **OPI .....**	May 10, June 1 **(see form)**	District	
	TRANSPORTATION REPORTS					
TR-1	District Application for Registration of School Bus and State Reimbursement	District Clerk County Supt.	County Supt. ..... OPI	Oct. 1 Oct. 15	District	
TR-2	Additional Pupil Listing (optional)	District Clerk	County Supt.	Oct. 1 (Along with TR-1)	District	
TR-4	Individual Transportation Contract	Family applying, signed by District Officials	County Supt. ..... **OPI .....**	July 1 **July 10**	District	
TR-5	District Claim for State Reimbursement for Individual and Isolated Transportation	District Clerk (Mailed from OPI to district by mid-Jan. and April 30)	County Supt. ..... **OPI .....**	Feb. 1, May 10 **Feb. 15, May 24**	District	
TR-6	District Claim for State Reimbursement for School Bus Transportation	District Clerk (Mailed from OPI to district by mid-Jan. and April 30)	County Supt. ..... **OPI .....**	Feb. 1, May 10 **Feb. 15, May 24**	District	
T-8	School Bus Accident Report	District Clerk or Transportation Supervisor	**Dept. of Transportation**	As needed	District	
T-9	Physical Examination Form C0730 **(Federal Department of Transportation)**		**Retain in district.**			
TR-13	School Bus Inspection (Mailed from OPI to Districts in June and November)	Montana Highway Patrol	**OPI .....** Before 1st semester begins, By Jan. 31 for 2nd semester	**Semi-annually**	District	
TR-36	Montana School Bus Driver Certificate (Available from OPI to district upon request)	District Officials	Updated copy to OPI and Co. supt.	when any element expires	District-Drivers	

6-0100.00 FIXED ASSET LEDGER FORMS

Forms included in this section are suggested for use in establishing and maintaining fixed asset ledgers for machinery and equipment, land and improvements, and buildings and improvements. One asset should be recorded on each form.

To provide a link between the amount recorded on the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA) and the Fixed Asset Ledgers, consider marking each ledger of an asset included in the SCFA with a color code or distinguishing mark. For example, items not to be capitalized but for which the district chooses to maintain a ledger could be done on a colored paper to contrast with capitalized items on white paper. To determine the SCFA amount to record on the Trustees' Report or financial statements as machinery and equipment, the district could then sum the costs shown on all white ledgers for machinery and equipment. Colored sheets would not be included in this calculation.

Upon sale or disposal of assets, note the method of disposal on the ledger and record on the Schedule of Fixed Asset Removals. Retain the ledger for audit purposes. Do not include the cost of disposed assets in the SCFA asset totals at year end.

General fixed assets of a district should be disposed of only on authority of the board and be documented in the board meeting minutes. The district should also consult the State and Federal Grants Handbook for procedures and authorization before disposing of assets purchased with federal funds.

See section 5-1200.00, "FIXED ASSETS" for complete information on accounting for fixed assets.

6-0110.00 LAND LEDGER

SCHOOL DISTRICT NO. _____

COUNTY _____ CITY _____

LAND LEDGER

Department	Property Code No.
Legal Description	
Location	Dimensions
Date Acquired	Original or Estimated Cost $
Warrant/Claim No.	Title Fees $
Fund/Account Name	Other Costs $
Fund/Account No.	
Use of Property	
	Total Cost $

Deed:

Kind: _____ Date: _____ Where Recorded: _____

Copy on File with _____

Abstract of Title _____

Date	Warrant No.	Additional Costs	Amount

DISPOSAL

Disposal Approved By _____ Reference _____

Reason _____ Date _____

How Disposed of (sold, scrapped, etc.) _____

Amount Realized _____

Remarks _____

BARS Form D-50

6-0120.00 BUILDINGS LEDGER

SCHOOL DISTRICT NO. _____

COUNTY _____ CITY _____

BUILDINGS OR BUILDING IMPROVEMENTS LEDGER

Department	Property Code No.
Description	
Location	Vendor
Date Acquired	Original of Estimated Cost $
Warrant/Claim No.	Installation $
Fund/Account Name	Other Costs: $
Fund/Account No.	
Estimated Life	
Estimated Salvage Value $	Total Cost $
Depreciation if owned by a proprietary fund: Total Cost $_____ Less Salvage Value $_____ Amount to Depreciate $_____ Divided by Estimated Life _____ Annual Depreciation $_____	Remarks: _____ _____ _____ _____ _____ _____

Date	Warrant No.	Addition, Betterments, Major Repair Costs	Amount

DISPOSAL

Disposal Approved By _____ Reference _____

Reason _____ Date _____

How Disposed of (sold, scrapped, etc.) _____

Amount Realized _____

Remarks _____

_____

BARS Form D-51

6-0130.00 MACHINERY AND EQUIPMENT LEDGER

SCHOOL DISTRICT NO. _____

COUNTY _____ CITY _____

MACHINERY AND EQUIPMENT LEDGER

Department	Property Code No.
Description	
Location	Vendor
Date Acquired	Original of Estimated Cost $
Warrant/Claim No.	Installation $
Fund/Account Name	Other Costs: $
Fund/Account No.	
Estimated Life	
Estimated Salvage Value $	Total Cost $
Depreciation if owned by a proprietary fund: Total Cost $_____ Less Salvage Value $_____ Amount to Depreciate $_____ Divided by Estimated Life _____ Annual Depreciation $_____	Remarks: _____ _____ _____ _____ _____ _____

Date	Warrant No.	Addition, Betterments, Major Repair Costs	Amount

DISPOSAL

Disposal Approved By _____ Reference _____

Reason _____ Date _____

How Disposed of (sold, scrapped, etc.) _____

Amount Realized _____

Remarks _____

_____

BARS Form D-52

6-0200.00 COMPENSATED ABSENCES WORKSHEET

The compensated absences worksheet is a suggested format for calculating the district's liability each June 30.

Calculate the liability for employees paid from governmental fund types separately from those paid from proprietary fund types, since the liability will be recorded differently for the two types of funds. See section 51350.00, "COMPENSATED ABSENCES", and 20-9-512, MCA.

6-0200.10 CALCULATING LIABILITY FOR COMPENSATED ABSENCES USING WORKSHEET

6-0200.11 COMPENSATED ABSENCE PAYABLE

At fiscal year-end, complete two worksheets for each district: one for certified employees and one for noncertified and administrative employees who are entitled to compensated absence payments. Each worksheet should be completed as of **current year end**. The total of column 11 for ALL district employees included on the worksheets is the amount to report as Compensated Absence Payable at year end. See section 5-1350.52 of the School Accounting Manual for compensated absences payable in proprietary funds.

Report Compensated Absences Payable for governmental and proprietary funds on the Schedule of Changes in Long-Term Liabilities (SCLTL).

6-0200.12 COMPENSATED ABSENCE TRANSFER (FUND 21)

At year-end, using the worksheet for NON-CERTIFIED and ADMINISTRATIVE employees for the current fiscal year, multiply the total amount of column 11 by 30%. This represents the maximum Fund Balance allowed by law (MCA 20-9-512) to be held in Fund 21. The Trustees may transfer money from the General Fund, within the adopted budget, up to the maximum fund balance calculated for Fund (21).

The transfer may include the accumulated liabilities for FICA, PERS/TRS, and unemployment that would be payable upon the employee's termination. However, those liabilities may be paid using either the district's retirement fund or the compensated absences fund, so the inclusion of those liabilities in the transfer amount is optional.

Note: If the ending fund balance in the Compensated Absences Fund 21 on June 30 exceeds 30% of the maximum liability on June 30, the excess balance must be transferred back to the general fund. See Section 5-0500 Interfund Activity.

6-0200.00 Compensated Absences Worksheet

School District Name/No._____.

Compensated Absences Worksheet

_____, Montana

Fiscal Year Ending June 30, _____.

			1 x 2		1 x 4	3 + 5	Rate times Column 6				6 + 7 + 8 + 9 + 10
	1	2	3	4	5	6	7	8	9	10	11
Employee Name	Hourly Rate*	Vacation Hours	Total Vacation Liability	25% of Sick Leave Hours	Total Sick Leave Liability	Total Vacation and Sick Leave Liability	Employer FICA*	Employer PERS/TRS*	Employer Unemployment *	Employer Workers' Comp	Compensated Absences Liability

* Use the current rates effective June 30 of the current year.

7-0100.00 ACCOUNTING TECHNIQUES FOR COLUMNAR ACCOUNTING SYSTEMS

The School Accounting Manual presents accounting information in a double-entry accounting system format. Montana school districts are not required to use a double-entry accounting system during the year. However, any accounting system used by a district is required to be sufficient to provide financial information in accordance with GAAP. All school districts must maintain a record of revenues and expenditures.

This section discusses general directions for modifying a cash basis columnar accounting system to record required transactions. The purpose of these directions is to help users of columnar systems in applying accounting procedures which are explained in a double-entry format in the School Accounting Manual. This section does not discuss year-end closing or preparation of the Trustees' Financial Summary. Section 7-0150, "RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM" illustrates most of the transactions the users of a columnar accounting system will record.

The change from cash basis accounting to modified accrual basis (GAAP) accounting should not be difficult for most districts which use columnar systems. Revenue and expenditure accruals will be very rare in smaller districts because most financial activity for the fiscal year will be completed for the district by June 30, so payables and receivables will rarely exist.

The columnar system of accounting generally consists of:

a. **Warrant Journal** — used to record the charge to an expenditure account whenever a warrant is issued. The Warrant Journal for a fund contains columns for warrant information and for each expenditure line item in the budget of the fund. An expenditure is recorded by writing the amount in the appropriate expenditure column. Columns are totaled monthly to reflect total expenditures and disbursements for the month, total expenditures to date, and the amount of budget remaining.

b. **Cash Receipts Journal** — used to record the source of revenue whenever cash is received. The Cash Receipts Journal for a fund contains columns for receipt information and for each type of revenue the district expects the fund to receive. Columns are totaled monthly to reflect total revenues and receipts for the month, total revenue to date, and the amount of estimated revenue remaining to be realized.

c. **Monthly Reconciliation** — used to reconcile cash with the county treasurer's monthly report. Corrections should be recorded as necessary. See section 7-0200, "RECONCILING WITH THE COUNTY TREASURER."

7-0110.00 BASIC PROCEDURES FOR MODIFYING A COLUMNAR ACCOUNTING SYSTEM TO PROVIDE INFORMATION IN ACCORDANCE WITH GAAP

Many districts have used a columnar accounting system for cash basis accounting. With slight modifications, the columnar system may also be used to provide financial information in accordance

with GAAP. This section discusses suggested procedures for modifying a cash basis columnar system to enable the district to record transactions which are necessary in accordance with GAAP.

In addition to the revenue and expenditure columns used in a columnar system on the cash basis, five new columns will be needed in the journals to record accruals, encumbrances, prior year adjustments and various other required transactions. Three columns will be added to the Warrant Journal for Payables, Prepaid Expenses, and 892 Prior Period Expenditure Adjustments. Two columns will be added to the Cash Receipts Journal for Receivables and 6100 Prior Period Revenue Adjustments. The use of the additional columns is discussed in sections 7-0130 and 70140. Examples of how to use these additional columns are shown in section 7-0150, "RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM."

The cash expenditures paid and cash revenues received during the year will be recorded the same as was done in the past for cash basis accounting. In other words, when a warrant is issued to pay an expenditure, the district will charge the expenditure to an expenditure column in the Warrant Journal. When cash is received for a revenue, the district will credit the revenue to the proper revenue column in the Cash Receipts Journal.

At fiscal year-end, the books will be closed for the year based on the financial position on June 30. To close the books and determine year-end account balances in accordance with GAAP, the district will first determine expenditures and revenues on the cash basis by totalling journal columns. Next, the district will complete the closing and conversion process, which will involve recording any necessary accruals and other adjustments. **The Cash to Accrual Worksheet provides a step-by-step method for closing the books at fiscal year-end.** Procedures for closing the books at fiscal year-end will be discussed later.

In the next fiscal year, balances of certain columns in the Warrant Journal and Cash Receipts Journal will be carried forward to become beginning balances on the July books of the new fiscal year. The June 30 balances of the "Payables" and "Prepaid Expenses" columns in the Warrant Journal and the "Receivables" column in the Cash receipts Journal should be carried forward to become July 1 balances in the books of the next fiscal year. When paying expenditure accruals and encumbrances or receiving revenue accruals in July and August, the district should reduce the balances of the "Payables" or "Receivables" columns. The district should reduce the balance of the "Prepaid Expenses" column to record the expiration of prepaid assets recorded in the "Prepaid Expenses" column. Examples of the payment and receipt of accruals and expiration of prepaid expenses are illustrated in section 7-0150, "RECORDING COMMON TRANSACTIONS."

These procedures are discussed in greater detail in the following paragraphs.

7-0120.00 RECORDING CASH REVENUES AND EXPENDITURES

For modified accrual basis, cash revenues and cash expenditures should be recorded during the year in the same manner as was done using cash basis accounting.

Cash revenue received should be recorded by writing the amount in the appropriate revenue source column in the Cash Receipts Journal. For an example of recording cash revenues, see example #1 in section 7-0150, “RECORDING COMMON TRANSACTIONS.”

Cash expenditures paid should be recorded by writing the warrant amount in the appropriate expenditure column in the Warrant Journal. For an example of recording cash expenditures, see example #2 in section 7-0150, “RECORDING COMMON TRANSACTIONS.”

7-0130.00 USING ADDITIONAL COLUMNS TO MODIFY COLUMNAR ACCOUNTING SYSTEM

It is suggested that several columns be added to the revenue and expenditure columns in the journals to record accruals, encumbrances, prior year adjustments and various other transactions required by GAAP.

The following columns should be added to the journals:

Warrant Journal	Payables Prepaid Expenses 892 Prior Period Expenditure Adjustments
Cash Receipts Journal	Receivables 6100 Prior Period Revenue Adjustments

How to use the additional columns:

Payables: This column in the Warrant Journal is used to record liabilities for expenditure accruals, the fund balance reserve for encumbrances, or the liability for a short-term loan. The balance in this column represents the same transaction as a credit to a liability account (such as 621 Accounts Payable, 661 Accrued Salaries and Benefits, 611 Due to Other Governments, or any 6XX general ledger account code except 680 Deferred Revenue) or to 953 Reserve for Encumbrances on a double-entry accounting system. The balance of the column increases when accruals and encumbrances are recorded. For an example of using the Payable column to record expenditure accruals and encumbrances, see examples #4 and #5 in section 7-0150, “RECORDING COMMON TRANSACTIONS.”

Prepaid Expenses: This column in the Warrant Journal is used to record payments for certain assets (e.g., prepaid insurance and rent) which will benefit a future period. For example, a payment in February for an annual insurance premium would include coverage for a 5 month period in the current year and a 7 month period in the next fiscal year. The portion applicable to the next fiscal year would be recorded as a prepaid expense. For an example of the use of the Prepaid Expenses column, see examples #15 and #16 in section 7-0150, “RECORDING COMMON TRANSACTIONS.” Also see section 5-0700, “PREPAID EXPENSES.”

7-0130.00 USING ADDITIONAL COLUMNS TO MODIFY THE ACCOUNTING SYSTEM (Cont'd)

892 Prior Period Expenditure Adjustments: This column in the Warrant Journal is used to record: (1) A material decrease of beginning fund balance because an expenditure amount was under accrued at the previous fiscal year-end; or (2) A material expenditure which should have been recorded as an expenditure in the prior year. The balance of this column at fiscal year-end is reported on the Trustees' Financial Summary as an adjustment which reduces the beginning fund balance of the fund. For an example of the use of this column, see example #6B in section 7-0150, "RECORDING COMMON TRANSACTIONS." Also see section 5-0340, "MATERIAL OVER AND UNDER ACCRUALS," and 5-0360, "PRIOR PERIOD EXPENDITURE ADJUSTMENTS."

Receivables: This column in the Cash Receipts Journal is used to record receivables for revenue accruals. Do not record adjustments or entries to balance sheet accounts 120, 130, 140 or 150 Taxes Receivable in this column. Taxes Receivable are recorded as deferred revenue rather than accrued revenue. For an example of using the Receivables column, see example #3 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

6100 Prior Period Revenue Adjustments: This column in the Cash Receipts Journal is used for recording: (1) Receipt of revenue which should have been recorded as revenue in the prior year; (2) An adjustment for an expenditure accrual or encumbrance which was overstated at the previous year-end; (3) Receipt of a material refund of expenditures paid in a prior year; (4) A voided warrant issued in the prior year; or (5) Payment to refund a material revenue received in a prior year. For examples, see examples #6D, #9, #10B, #10C, and #12 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

7-0140.00 OPENING THE BOOKS FOR A NEW FISCAL YEAR AND RECORDING ACCRUAL RECEIPTS, PAYMENTS, AND EXPIRATION OF PREPAID EXPENSES

To open the books for the next fiscal year, the district should carry forward the June 30 balances of certain columns. The fiscal year-end balances of the "Payables" and "Prepaid Expenses" columns in the Warrant Journal and the "Receivables" column in the Cash Receipts Journal should be carried forward and recorded as beginning balances of those columns in the July books for the next fiscal year. Other columns begin the year with a zero balance.

In July and August, the district will pay the expenditure accruals and encumbrances and will receive cash for the revenues accrued. During the year, the district will also adjust the prepaid expenses as discussed below.

Payment of Expenditure Accruals and Encumbrances: The payment for an accrual or encumbrance should be subtracted from the balance of the "Payables" column. See example #6 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Receipt of Revenue Accruals: The receipt for a revenue accrual should be subtracted from the balance of the Receivables column. See example #10 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

Adjustment of Prepaid Expenses: As the amount of prepayment is used up over time, the balance of the "Prepaid Expenses" column should be reduced and the amount of payment applicable to the current year should be recorded as an expenditure. See example #16 in section 7-0150, "RECORDING COMMON TRANSACTIONS."

After expenditure accruals and encumbrances are paid and revenue accruals are received in July and August, the "Payables" and "Receivables" columns will probably not be needed until the next June.

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCTG SYSTEM

The following examples suggest procedures for recording common transactions. **Transaction numbers on this page match transactions illustrated on the Warrant Journal and Cash Receipts Journal on pages 7-0100-13 through 7-0100-16.**

EXAMPLES 1. RECEIPT OF CASH REVENUES

Write the source of cash in the "Received From" column and the amount in the "Amount of Receipt" column in the Cash Receipts Journal. Write the amount in the appropriate revenue account column.

For example, assume the district receive $3,700 for Real Property Taxes collected in a month. (See **#1** on page 7-0100-15.)

2. PAYMENT FOR GOODS/SERVICES RECEIVED IN THE CURRENT YEAR

In the Warrant Journal, write the payee and amount of the warrant. Write the amount in the appropriate expenditure account column.

For example, assume the district issued a warrant for $1,000 to pay a teacher's salary for September. (See **#2** on page 7-0100-13.)

3. ACCRUAL OF REVENUE AT FISCAL YEAR-END

In the Cash Receipts Journal, explain the accrual in the "Received From" column. Write the amount in the appropriate revenue account column and in the "Receivables" column.

For example, assume at June 30 the district had not received $500 of tuition owed from another district. The amount due should be accrued as tuition revenue and a receivable at the end of the fiscal year. (See **#3** on page 7-0100-15.)

4. ACCRUAL OF EXPENDITURES AT FISCAL YEAR-END

In the Warrant Journal, explain the accrual in the "Payee" column. Write the amount in the appropriate expenditure account column and add it to the "Payables" column.

For example, assume at June 30 the district had received textbooks but had not paid the invoice for $5,200. (See **#4** on page 7-0100-13.)

5. RECORD ENCUMBRANCES AT FISCAL YEAR-END

In the Warrant Journal, explain the encumbrance in the "Payee" column. NOTE: IDENTIFY THE TRANSACTION IN THE "PAYEE" COLUMN AS AN ENCUMBRANCE; ENCUMBRANCES MUST BE SEPARATELY IDENTIFIABLE FROM EXPENDITURE ACCRUALS SO THAT THE PERSON PREPARING FINANCIAL STATEMENTS CAN REPORT PROPERLY IN ACCORDANCE WITH GAAP. Write the amount in the appropriate expenditure column and add it to the "Payables" column.

For example, assume the district had a $450 purchase order for supplies ordered but not received by June 30. The district records an encumbrance at fiscal year-end. (See **#5** on page 7-0100-13.)

6. PAYMENT OF AN EXPENDITURE ACCRUAL OR ENCUMBRANCE IN NEXT FISCAL YEAR

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount in the "Amount of Warrant" column and subtract it from the "Payables" column. Do not use an expenditure column.

For example, assume the district had accrued an expenditure for $250 for the June utility bill, which was not paid by June 30. The district issues a warrant for $250 in July. (See **#6** on page 7-0100-13.)

If the accrual/encumbrance amount is not the same as the amount paid, see examples #6A through 6D.

6A. PAYMENT OF AN IMMATERIAL UNDER ACCRUAL OF EXPENDITURES (OR ENCUMBRANCES)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Charge the difference between the warrant and the accrued or encumbered amount to an appropriate current expenditure column.

For example, assume the district accrued $750 at fiscal year-end for supplies received in June but not paid for by June 30. The accrual amount did not properly include $5 for freight charges included on the invoice. The district issues a warrant for $755 to pay the invoice. (See **#6A** on page 7-0100-13.)

Accrued/encumbered	$750	(Subtract from "Payable" column)
Invoice	755	(Pay warrant)
Difference	($ 5)	(Charge to an appropriate expenditure account)

6B. PAYMENT OF A MATERIAL UNDER ACCRUAL OF EXPENDITURES (OR ENCUMBRANCES)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Charge the difference between the warrant and the accrued or encumbered amount to the 892 Prior Period Expenditure Adjustments column. Charges to this expenditure account must be within the total budget for the fund. A line item budget transfer may be necessary.

For example, assume the district accrued $5,000 at fiscal year-end for equipment received but not paid for by June 30. The invoice amount was actually $15,000 but the initial "1" was omitted in error. The district issues a warrant for $15,000. (See **#6B** on page 7-0100-13.)

Accrued/encumbered	$ 5,000	(Subtract from "Payable" column)
Invoice	15,000	(Pay warrant)
Difference	($10,000)	(Charge to exp. object 892 Prior Period Expend. Adj.)

6C. PAYMENT OF AN IMMATERIAL OVER ACCRUAL OF EXPENDITURES (OR OVER ENCUMBRANCE)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Record the difference between the warrant and the accrued or encumbered amount as 1900 Miscellaneous Revenue. (NOTE: This is not actual revenue. The reduction of the accrual or encumbrance is recorded as revenue to record the increased resources available because the accrual/encumbrance paid was less than expected. If not recorded as revenue, the adjustment for over accrual would result in an inappropriate and unauthorized increase in budget.) In the Warrant Journal, refer to the entry in the Cash Receipt Journal where the revenue was recorded.

For example, assume the district recorded an expenditure accrual for $750 for goods received but not paid for by June 30. The invoice arrived after the books were closed. The invoice included a discount, so the amount due was $745. The district issues a warrant for $745. (See **#6C** on page 7-0100-13.)

Accrued/encumbered	$750	(Subtract from "Payable" column)
Invoice	745	(Pay warrant)
Difference	$ 5	(Record as 1900 Miscellaneous Revenue)

6D. PAYMENT FOR A MATERIAL OVER ACCRUAL OF EXPENDITURES (OR OVER ENCUMBRANCE)

In the Warrant Journal, explain the payment in the "Payee" column. Identify the accrual or encumbrance being paid. Write the amount paid in the "Amount of Warrant" column. Subtract the amount originally accrued or encumbered from the "Payables" column. Record the difference between the warrant and the accrued or encumbered amount as 6100 Prior Period Revenue Adjustments. (NOTE: The 6100 account is an adjustment to beginning fund balance. The reduction of the accrual or encumbrance is recorded as an adjustment to beginning fund balance because the accrual, if accrued for the correct amount, would have materially reduced the ending fund balance at the previous fiscal year-end.) In the Warrant Journal, refer to the entry in the Cash Receipt Journal where the adjustment to 6100 was recorded.

For example, assume the district accrued $75,000 for equipment received but not paid for by June 30. The vendor removed a $60,000 accessory component of the equipment system and does not intend to replace it. He reduced the invoice to $15,000. The district issues a warrant for $15,000. (See **#6D** on page 7-0100-13.)

Accrued/encumbered	$75,000	(Subtract from "Payable" column)
Invoice	15,000	(Pay warrant)
Difference	$60,000	(Record as 6100 Prior Period Revenue Adj.)

7. RECEIPT OF REFUND OF AN EXPENDITURE RECORDED IN THE CURRENT YEAR

In the Warrant Journal, subtract the amount received from the "Amount of Warrant" column. Subtract the amount from the expenditure column from which the expenditure was originally paid. This procedure restores budget in the expenditure column. Write a letter to notify the county treasurer the receipt was a refund which restores the budget in the fund.

For example, assume the district paid $25 for supplies in the current year. The supplies were returned to the vendor, who refunded the payment the same year. (See **#7** on page 7-0100-14.)

Year 1 Recorded: 101-100-1000-610	$25
Year 1 Received refund:	25
	0

8. RECEIPT OF AN IMMATERIAL REFUND OF AN EXPENDITURE RECORDED IN THE PRIOR YEAR OR VOIDING AN IMMATERIAL WARRANT ISSUED IN THE PRIOR YEAR

Record the amount received as a refund or the amount of the voided warrant using 1900 Miscellaneous Revenue.

For example, assume the district recorded a $75 supply expenditure. The next fiscal year, the supplies were returned to the vendor, who refunded the payment. The district receives $75. (See **#8** on page 7-0100-15.)

Year 1 Recorded: 101-100-1000-610	$75	
Year 2 Refunded/Voided:	75	(Record as 1900 Misc. Revenue)
	0	

9. RECEIPT OF MATERIAL REFUND OF AN EXPENDITURE RECORDED IN THE PRIOR YEAR OR VOIDING A MATERIAL WARRANT ISSUED IN THE PRIOR YEAR

Record the amount received as a refund or the amount of the voided warrant using 6100 Prior Period Revenue Adjustments. This account is reported on the Trustees' Report and GAAP Financial Statements as an adjustment of beginning fund balance of the fund.

For example, assume the district paid $52,000 for a large supply order. In the next year, the supplies were returned to the vendor, who refunded the payment. The district receives $52,000. (See **#9** on page 7-0100-15.)

Year 1 Recorded: 101-100-1000-610	$52,000	
Year 2 Refunded/Voided:	52,000	(Record as 6100 Prior Period
	0	Rev. Adj.)

10. RECEIVE CASH FOR REVENUE ACCRUED AT THE PREVIOUS YEAR-END

In the Cash Receipts Journal, explain the transaction in the "Received From" column. Identify the revenue accrual being received. Write the amount in the "Amount of Receipt" column, and subtract it from the "Receivables" column. Do not use a revenue column.

For example, assume the district accrued $100 interest income receivable at fiscal year-end. The district received the $100 interest payment in July. (See **#10** on page 7-0100-15.)

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the "Receivables" column. Record the difference between the amount accrued and amount received as an increase in the appropriate current revenue account column.

For example, assume the district accrued $2,500 of tuition revenue owed to them by another district at fiscal year-end. The cash was received in August. The amount of the accrual had accidentally been recorded too low. The amount received is the correct amount of $2,575. (See **#10A** on page 7-0100-15.)

Accrued	$2,500 (Subtract from "Receivable "column)
Received	2,575 (Record cash received)
Difference	($ 75) (Record using an appropriate revenue column)

10B. RECEIPT OF CASH FOR A REVENUE ACCRUAL WHICH WAS MATERIALLY UNDERACCRUED

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the "Receivables" column. Record the difference between the amount accrued and amount received as an increase in 6100 Prior Period Revenue Adjustments.

For example, assume the district had accrued $25,000 of revenue at fiscal year-end. The cash was received in August. The amount of the accrual had accidentally been recorded too low. The amount received is the correct amount of $2,500. The difference is material to the district's financial activities. (See **#10B** on page 7-0100-15.)

Accrued	$25,000	(Subtract from "Receivable "column)
Received	2,500	(Record cash received)
Difference	($22,500)	(Record using 6100 Prior Year Revenue Adjustments)

10C. RECEIPT OF CASH FOR A REVENUE ACCRUAL WHICH WAS OVERACCRUED

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Subtract the amount originally accrued from the balance of the "Receivables" column. Record the difference between the amount received and accrued as a reduction of 6100 Prior Period Revenue Adjustments. The balance of the column is reported as an adjustment of beginning fund balance on the Trustee's Financial Summary and on GAAP financial statements. An immaterial difference may be recorded as a reduction of the appropriate current revenue account column balance.

For example, assume the district accrued $4,800 of June revenue which was not received by June 30. The amount which should have been accrued was the amount received in August, $4,750. The difference should be recorded as a negative amount in the 6100 revenue column. (See **#10C** on page 7-0100-15.)

Accrued	$4,800 (Subtract from "Receivable" column)
Received	4,750 (Record cash received)
Difference	$ 50 (Record as negative 6100 Prior Year Revenue Adjustment. An immaterial amount **may** be recorded as negative current revenue.)

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd) 11. PAYMENT TO REFUND REVENUE RECORDED IN THE CURRENT YEAR

In the Cash Receipts Journal, subtract the amount from the revenue column where the original receipt was recorded as revenue. Subtract the amount from the "Amount Received" column. Explain the refund in the "Received From" column. Refer to the Warrant Journal and warrant number used to refund the revenue. In the Warrant Journal, write the amount of the payment in the "Amount of Warrant" column.

Explain the refund in the "Payee" column and refer to the Cash Receipts Journal entry which records the reduction of revenue for the refund.

For example, assume the district recorded receipt of $80 of tuition in the current year. The amount is now refunded because of an overcharge. (See **#11** on page 7-0100-14 and 7-0100-16.)

Year 1 Recorded: 101-1310 Tuition $80

Year 2 Refunded by Warrant: 80 (Record as warrant paid, but 0 do not charge to expenditures. Reduce appropriate revenue acct.)

12. PAYMENT TO REFUND REVENUE RECORDED IN THE PRIOR YEAR

In the Warrant Journal, write the amount in the "Amount of Warrant" column. Do not use an expenditure column. Refer to the Cash Receipts Journal entry which will record the revenue adjustment for the refund. In the Cash receipts Journal, write the amount as a negative in the 6100 Prior Period Revenue Adjustments column.

For example, assume the district recorded $20,000 of Direct State Aid revenue. In the next year, the district discovers the amount was distributed to the district in error. The amount must be refunded to the state. The district issues a warrant for $20,000 in September to refund the payment. (See **#12** on page 7-0100-14.)

Year 1 Recorded: 101-3110 Driver's Ed Reimb. $20,000

Year 2 Refunded by Warrant: 20,000 (Record as warrant 0 paid. Reduce 6100 Prior Per. Rev Adj.)

13. RECEIPT OF A DEPOSIT (e.g., Rental Deposit) OR SHORT-TERM LOAN

When money is deposited with or loaned to the district for a period of 12 months or less, the amount is not a revenue to the district. The amount received is a nonrevenue receipt which increases cash and creates a liability, or payable, the district owes to the depositor or loaning authority.

In the Cash Receipts Journal, record the amount received in the "Amount of Receipt" column. Explain the transaction and refer to the Warrant Journal entry which will record the payable. In the Warrant Journal, record the amount in the "Payables" column. Explain the transaction in the "Payee" column and refer to the Cash Receipt Journal entry used to record the receipt of the deposit or loan.

For example, assume the district receives a short-term loan from the Board of Investments. The amount of the loan was $10,000 and it is to be repaid within 12 months. (See **#13** on page 7-0100-14 and 7-0100-16.)

7-0150.00 RECORDING COMMON TRANSACTIONS USING A COLUMNAR ACCOUNTING SYSTEM (Cont'd) 14. REPAYMENT OF A DEPOSIT OR SHORT-TERM LOAN

When money received as a deposit or short-term loan is repaid, the district must reduce the payable they recorded when the money was received. Any interest paid to the depositor or loaning authority should be recorded as an expenditure for interest expense.

In the Warrant Journal, write the amount in the "Amount of Warrant" column. Subtract the amount from the "Payables" column.

For example, assume the district issues a $10,000 warrant to repay the short-term loan recorded in example #13. (See **#14** on page 7-0100-14.)

15. PAYMENT FOR PREPAID EXPENSES

In the Warrant Journal, write the amount of the warrant in the "Amount of Warrant" column. Write the amount of payment applicable to the current fiscal year in the appropriate expenditure column. Write the amount of payment applicable to subsequent periods in the "Prepaid Expenses" column.

For example, assume the district pays an insurance premium in May covering 12 months and costing $2,400, or $200 a month. The amount of payment applicable to the current year is the premium cost for May and June. The remainder is applicable to the next fiscal year, so it will be recorded in the "Prepaid Expenses" column. (See **#15** on page 7-0100-14.)

Warrant issued in May for 12 months of insurance	$2,400
Amount applied this year ($200 X 2 months)	400
Amount to record in "Prepaid Expense" column	$2,000

16. EXPIRATION OF PREPAID EXPENSES

If expenses were prepaid, a portion of the payment will apply to benefits (e.g., insurance coverage) received in the next fiscal year. Each year, the district must record the portion used up, or expired, as an expenditure of that year. Generally, the district will adjust the Prepaid Expenses column balance for the expired prepayment amount when recording the payment of the next annual premium.

In the Warrant Journal, explain the transaction in the "Payee" column. Subtract the amount of the prepayment which applied to the current year from the "Prepaid Expenses" column. Record the amount applicable to the current year in the appropriate expenditure column.

For example, assume the district prepaid $2,400 for a 12 month insurance premium in May. The portion of the payment applicable to the year of payment was charged as an expenditure that year. (This entry was recorded in example #15.) In the next year, the

remaining 10 month premium applies. In that year, the district must record the 10 month premium used in the current year as an expenditure. (See **#16** on page 70100-14.)

Balance of prepaid expense for insurance	$2,000
Amount applied to current year	2,000
New balance of Prepaid Expenses	0

7-0150.00 RECORDING COMMON TRANSACTIONS

WARRANT JOURNAL											
		1	2	3	4	5	6	7	8	9	10
Date* (ex. #)	Payee	Warrannt Number	Amount of Warrant	101-100-1000-112 Salaries	101-100-1000-610 Supplies	101-100-1000-640 Textbooks	101-100-2600-410 Utilities	101-100-2300-520 Insurance	Payables	Prepaid Expenses	892 Prior Year Expend. Adj.
#2	Cash Expenditures	178	1,000	100							
#4	Expenditure Accrual	---	---			5,200			5,200		
#5	Encumbrance	---	---		450				450		
#6	Payment of Accrual	179	250						(250)		
#6A	Payment of Accrual (Immat. Underaccrual)	180	755		5				(750)		
#6B	Payment of Accrual (Mat. Underaccrual)	181	15,000						(5,000)		10,000**
#6C	Payment of Accrual (Immat. Overaccrual)	182	745						(750) Note 1		
#6D	Payment of Accrual (Mat. Overaccrual)	183	15,000						(75,000) Note 2		

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

****** Must fall within total budget of the fund. Budget transfer may be needed.

Note 1 See Cash Receipts Journal for $5 difference, which is recorded as 1900 Miscellaneous Revenue.

Note 2 See Cash Receipts Journal for $60,000 difference, which is recorded using 6100 Prior Period Revenue Adjustments.

WARRANT JOURNAL

		1	2	3	4	5	6	7	8	9	10
Date* (ex. #)	Payee	Warrannt Number	Amount of Warrant	101-100-1000-112 Salaries	101-100-1000-610 Supplies	101-100-1000-640 Textbooks	101-100-2600-410 Utilities	101-100-2300-520 Insurance	Payables	Prepaid Expenses	892 Prior Year Expend. Adj.
#7	Refund of Current Year Expenditure	---	(25)		(25)						
#11	Refund paid for Current Year Revenue	184	80 Note 3								
#12	Refund paid for Prior Year Revenue	185	20,000 Note 5								
#13	Receipt of Short-Term Loan from Board of Investments	---	---						10,000 Note 4		
#14	Repayment of ShortTerm Loan	186	10,000						(10,000)		
#15	Prepaid Expenses	187	2,400					400		2,000	
#16	Expiration of Prepaid Expenses (this would be recorded in the year the premiums apply.)	---	---					2,000		(2,000)	

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 3 See Cash Receipts Journal; warrant issued for refund of current year revenue.
Note 4 See Cash Receipts Journal receipt number 250.
Note 5 See Cash Receipts Journal; warrant issued to refund prior year revenue.

CASH RECEIPTS JOURNAL

		1	2	3	4	5	6	7	8	9
Date* (ex. #)	Received From	Receipt Number	Amount of Receipt	101-1110 District Levies	101-1310 Tuition	101-1510 Interest	101-3110 Direct State Aid	101-1900 Msc. Revenue	Receivables	6100 Prior Year Revenue Adjustments
#1	Receipt of Cash Revenue	245	3,700	3,700						
#3	Revenue Accrual	---	---		500				500	
#6C	Amount of Underaccrual of Exp.	---	---					5 Note 6		
#6D	Material Overaccrual of Exp.	---	---							
#8	Voided Prior Year Warrant (Immat.)	---	75					75		
#9	Voided Prior Year Warrant (Mat.)	---	52,000							
#10	Receipt of Accrual	246	100						(100)	
#10A	Receipt of Accrued Revenue (Immat. Underaccrual)	247	2,575		75				(2,500)	
#10B	Receipt of Accrued Revenue (Mat. Underaccrual)	248	25,000						(2,500)	
#10C	Receipt of Accrued Revenue (Overaccrual)	249	4,750						(4,800)	

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 6 See Warrant Journal; warrant #182.

CASH RECEIPTS JOURNAL

		1	2	3	4	5	6	7	8	9
Date* (ex. #)	Received From	Receipt Number	Amount of Receipt	101-1110 District Levies	101-1310 Tuition	101-1510 Interest	101-3110 Direct State Aid	101-1900 Msc. Revenue	Receivables	6100 Prior Year Revenue Adjustments
#11	Refunded Current Year Revenue	---	(80)		(80) Note 7					
#12	Refunded Prior Year Revenue	---	---							(20,000) Note 8
#13	Receipt of Proceeds of Short-Term Loan	251	10,000 Note 9							

*** NUMBERS IN THIS COLUMN CORRESPOND TO EXAMPLE TRANSACTIONS IN SECTION 7-0150.00. ENTRIES SHOWN HERE DO NOT ACCURATELY REPRESENT THE TIME SCALE. THERE IS NO SEPARATION BETWEEN FISCAL YEARS. THIS ILLUSTRATION SHOWS GENERAL RECORDING PROCEDURES ONLY.**

Note 7 Refunded tuition revenue recorded in the current year. See warrant #184.
Note 8 Refunded prior year Direct State Aid revenue distributed to the district in error. See warrant #185.
Note 9 See Warrant Journal (Note 4) for record of payable created when the short-term loan was received.

7-0200.00 RECONCILING WITH THE COUNTY TREASURER

A school district must compare and balance certain district accounting records with reports provided by the county treasurer. Each month, the district must reconcile ending cash, investments, cash receipts, and cash disbursements for all funds with the county treasurer. Any differences must be documented, and adjustments to the district or county treasurer's records must be made as necessary. (ARM 10.10.501)

The following forms are suggested for use when reconciling the district's records with the county treasurer's records. These formats are not required.

7-0210.00 RECONCILIATION WORKSHEETS

7-0210.10 12-MONTH FUND RECONCILIATION SHEET

CASH RECONCILATION TO COUNTY TREASURER
SCHOOL DISTRICT NO. XXX
July 1, 2003 through June 30, 2004

DISTRICT:
FISCAL YEAR:
FUND:

FUND _____

Month	Clerk's Beginning Balance	+ Receipts	- Net Disbursements: Warrants Written or Amount Transferred to Claims Fund (87)	- Net Disbursements: Warrants Written or Amount Transferred to Payroll Fund (86)	- Net Disbursements: +/- Adjustments	Clerk's Ending = Balance	County Treasurer's Balance	+/- Outstanding Warrants/ Adjustments	= Adjusted County Treasurer's Balance	Difference (Clerk's balance vs Treasurer's balance)
July	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
August	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
September	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
October	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
November	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
December	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
January	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
February	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
March	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
June	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		0.00	0.00	0.00	0.00					

Notes:

7-0210.20 12-MONTH PAYROLL CLEARING FUND RECONCILIATION SHEET

CASH RECONCILATION TO COUNTY TREASURER

SCHOOL DISTRICT NO. XXX

DISTRICT:

FISCAL YEAR: **July 1, 2003 through June 30, 2004 PAYROLL**

FUND: **CLEARING FUND (86)**

Month	Clerk's Balance, Beginning (1)	**The total of these columns equal the transfer letter to the County Treasurer**								
		+ Total Payroll Warrants Written (2)	**+** Current month unpaid payroll liabilities (3a)	**-** Payroll warrants written for previous month's exp. transferred (3b)	**-** Redeemed Warrants	**=** Clerk's Balance, End (4)	County Treasurer's Balance	**+/-** Adjustments	**=** Adjusted County Treasurer's Balance	Difference (Clerk's balance vs Treasurer's balance)
July	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
August	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
September	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
October	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
November	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
December	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
January	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
February	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
March	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
June	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		0.00	0.00	0.00	0.00					

Notes:

(1) Beginning balance should equal the list of outstanding warrants plus any unpaid payroll liabilities as of the end of the previous month.

(2) Includes payroll warrants written, including employee paychecks, direct deposit (electronic transfers), payroll liability warrants/eletronic transfers. Should equal the payroll warrant register total.

(3a) Some employer contributions (e.g. worker's comp and state unemployment) are due quarterly. Some payroll software systems transfer these expenditures to the Payroll Clearing Fund each month, but the warrants for these liabilities are not issued until the quarterly reports are due. The amount in this column should equal the current month's credit to balance sheet account 670 Payroll Expenditures Payable.

(3b) When the warrants for a previous month(s) unpaid liabilities are issued, the amount will be included in the current month's "Total Payroll Warrants Written" column. To avoid doublecounting, the total of warrants issued in the current month for previous months' unpaid liabilities should be subtracted out.

(4) Ending balance should equal the current month's list of outstanding warrants plus amount transferred for unpaid liabilities. Cash less outstanding warrants and unpaid liabilities should always net to zero.

7-0210.30 12-MONTH CLAIMS CLEARING FUND RECONCILIATION SHEET

CASH RECONCILATION TO COUNTY TREASURER
SCHOOL DISTRICT NO. XXX
July 1, 2003 through June 30, 2004 CLAIMS CLEARING FUND (87)

DISTRICT:
FISCAL YEAR:
FUND:

Month	Clerk's Balance, Beginning (1)	The total of these columns equal the transfer letter to the County Treasurer: + Total Claim Warrants Written (2)	The total of these columns equal the transfer letter to the County Treasurer: +/- Adjustments	- Redeemed Warrants	= Clerk's Balance, End (3)	County Treasurer's Balance	+/- Adjustments	= Adjusted County Treasurer's Balance	Difference (Clerk's balance vs Treasurer's balance)
July	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
August	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
September	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
October	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
November	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
December	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
January	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
February	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
March	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
June	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		0.00	0.00	0.00					

Notes:

(1) Beginning balance should equal the list of outstanding claim warrants as of the end of the previous month.

(2) Includes claim warrants written, including electronic transfers. Should equal the current month claim warrant register total. (3) Ending balance should equal the current month's list of outstanding claim warrants.

7-0210.40 12-MONTH CASH RECAP SHEET - ALL FUNDS

CASH RECAP

DISTRICT: **SCHOOL DISTRICT NO. XXX**

FISCAL YEAR: **July 1, 2003 through June 30, 2004**

	July	August	September	October	November	December	January	February	March	April	May	June
Total All Funds	0	0	0	0	0	0	0	0	0	0	0	0
01 General	0	0	0	0	0	0	0	0	0	0	0	0
10 Transportation	0	0	0	0	0	0	0	0	0	0	0	0
11 Bus Depreciation	0	0	0	0	0	0	0	0	0	0	0	0
12 School Food Service	0	0	0	0	0	0	0	0	0	0	0	0
13 Tuition	0	0	0	0	0	0	0	0	0	0	0	0
14 Retirement	0	0	0	0	0	0	0	0	0	0	0	0
15 Miscellaneous Programs	0	0	0	0	0	0	0	0	0	0	0	0
17 Adult Education	0	0	0	0	0	0	0	0	0	0	0	0
18 Traffic Education	0	0	0	0	0	0	0	0	0	0	0	0
19 Non-Operating	0	0	0	0	0	0	0	0	0	0	0	0
20 Lease-Rental Agreement	0	0	0	0	0	0	0	0	0	0	0	0
21 Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
24 Metal Mintes Tax Reserve	0	0	0	0	0	0	0	0	0	0	0	0
25 State Mining Impact	0	0	0	0	0	0	0	0	0	0	0	0
26 Impact Aid	0	0	0	0	0	0	0	0	0	0	0	0
27 Litigation Reserve	0	0	0	0	0	0	0	0	0	0	0	0
28 Technology	0	0	0	0	0	0	0	0	0	0	0	0
29 Flexibility	0	0	0	0	0	0	0	0	0	0	0	0
45 Permanent Endowment	0	0	0	0	0	0	0	0	0	0	0	0
50 Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
60 Building	0	0	0	0	0	0	0	0	0	0	0	0
61 Building Reserve	0	0	0	0	0	0	0	0	0	0	0	0
70 Day Care	0	0	0	0	0	0	0	0	0	0	0	0
71 Industrial Arts	0	0	0	0	0	0	0	0	0	0	0	0
72 Miscellaneous Enterprise	0	0	0	0	0	0	0	0	0	0	0	0
73 Data Processing	0	0	0	0	0	0	0	0	0	0	0	0
74 Purchasing	0	0	0	0	0	0	0	0	0	0	0	0
75 Central Transportation	0	0	0	0	0	0	0	0	0	0	0	0
76 Instructional Materials Center	0	0	0	0	0	0	0	0	0	0	0	0
77 Misc. Internal Service	0	0	0	0	0	0	0	0	0	0	0	0
78 Self Insurance - Health	0	0	0	0	0	0	0	0	0	0	0	0
79 Self Insurance - Liability	0	0	0	0	0	0	0	0	0	0	0	0
81 Private Purpose Trust	0	0	0	0	0	0	0	0	0	0	0	0
82 Interlocal Agreement	0	0	0	0	0	0	0	0	0	0	0	0
83 Investment Trust	0	0	0	0	0	0	0	0	0	0	0	0
84 Student Extracurricular	0	0	0	0	0	0	0	0	0	0	0	0
85 Misc. Private Purpose Trust	0	0	0	0	0	0	0	0	0	0	0	0
86 Payroll Clearing	0	0	0	0	0	0	0	0	0	0	0	0

87 Claims Clearing	0	0	0	0	0	0	0	0	0	0	0	0
89 Retirement/COBRA Insurance	0	0	0	0	0	0	0	0	0	0	0	0
95 Cafeteria /Flex Plan	0	0	0	0	0	0	0	0	0	0	0	0

7-0210.50 MULTIPLE FUND MONTHLY RECONCILIATION SHEET

MONTHLY RECONCILIATION SHEET Month _____, 20_____			
FUND:	Clerk's Books	Treasurer's Books	
Beginning Balance	$	Treasurer's Balance	$
Add Receipts for period	$	Add Deposition for Period	$
TOTAL	$	TOTAL	$
Less Month's Disbursements	$	Less Outstanding Warrants	$
ENDING BALANCE	$	ENDING BALANCE	$
OUTSTANDING WARRANTS LIST			
Warrant # Amount	Warrant # Amount	Warrant # Amount	Warrant # Amount
$	$	$	$
$	$	$	$

MONTHLY RECONCILIATION SHEET Month _____, 20_____			
FUND:	Clerk's Books	Treasurer's Books	
Beginning Balance	$	Treasurer's Balance	$
Add Receipts for period	$	Add Deposition for Period	$
TOTAL	$	TOTAL	$
Less Month's Disbursements	$	Less Outstanding Warrants	$
ENDING BALANCE	$	ENDING BALANCE	$
OUTSTANDING WARRANTS LIST			
Warrant # Amount	Warrant # Amount	Warrant # Amount	Warrant # Amount
$	$	$	$
$	$	$	$

MONTHLY RECONCILIATION SHEET Month _____, 20_____			
FUND:	Clerk's Books	Treasurer's Books	
Beginning Balance	$	Treasurer's Balance	$
Add Receipts for period	$	Add Deposition for Period	$
TOTAL	$	TOTAL	$

Less Month's Disbursements	$	Less Outstanding Warrants	$
ENDING BALANCE	$	ENDING BALANCE	$
OUTSTANDING WARRANTS LIST			
Warrant # Amount	Warrant # Amount	Warrant # Amount	Warrant # Amount
$	$	$	$
$	$	$	$

7-0210.60 OUTSTANDING WARRANT LIST

OUTSTANDING WARRANT LIST
Month _____, 20_____
Fund _____

Last Month's Outstanding Warrants	$
Less: Void Warrants from Last Month	$
Add: Credit Adjustments (e.g., Increase)	$
Add: Warrants Issued During the Month	$
TOTAL	$
Less: Warrants Redeemed During the Month	$
Less: Debit Adjustments (e.g., Decrease)	$
This Month's Outstanding Warrants	$

LIST OF THIS MONTH'S OUTSTANDING WARRANTS

Date Issued	Warrant Number	Amount	Date Issued	Warrant Number	Amount	Date Issued	Warrant Number	Amount

7-0210.70 OPTIONAL WORKSHEET: ANNUAL/TOTAL RECONCILEMENT WITH COUNTY TREASURER

Fund: _____

Use only when school is using Payroll and Claim Funds.

Reconciling Revenues with the County Treasurer:

Total County Treasurer's Receipts:	$ _____
Less: Last Year's Revenue Accruals:	($ _____)
Add: This year's Revenue Accruals:	$ _____
Add/Less Other Adjustments:	
_____	$ _____
_____	$ _____
_____	$ _____
Total Clerk's Revenue:	$ _____

Reconciling Expenditures with the County Treasurer:

Total County Treasurer's Disbursements:	$ _____
Less: Last Year's Expenditure Accruals:	($ _____)
Less: Last Year's Encumbrances:	($ _____)
Add: This Year's Expenditure Accruals:	$ _____
Add: This Year's Encumbrances:	$ _____
Add/Less Other Adjustments:	
_____	$ _____
_____	$ _____
_____	$ _____
Total Clerk's Expenditures:	$ _____

7-0210.80 **OPTIONAL WORKSHEET: ANNUAL/TOTAL RECONCILEMENT WITH COUNTY TREASURER**

Fund: _____

Use only when school does NOT use Payroll and Claim Funds.

Reconciling Revenues with the County Treasurer:

Total County Treasurer's Receipts:	$ _____
Less: Last Year's Revenue Accruals:	($ _____)

Add: This year's Revenue Accruals:	$ _____
Add/Less Other Adjustments:	
_____	$ _____
_____	$ _____
_____	$ _____
Total Clerk's Revenue:	$ _____

Reconciling Expenditures with the County Treasurer:

Total County Treasurer's Disbursements:	$ _____
Less: Last Year's Expenditure Accruals:	($ _____)
Less: Last Year's Encumbrances:	($ _____)
Less: Last Year's Outstanding Warrants:	($ _____)
Add: This Year's Expenditure Accruals:	$ _____
Add: This Year's Encumbrances:	$ _____
Add: This Year's Outstanding Warrants:	$ _____
Add/Less Other Adjustments:	
_____	$ _____
_____	$ _____
_____	$ _____
Total Clerk's Expenditures:	$ _____

7-0300.00 YEAR END CLOSING PROCEDURES

This section reviews the primary procedures necessary to close a district's books at fiscal year-end. Directions accompanying the annual Trustees' Financial Summary also discuss current year-end closing procedures.

School districts should implement internal procedures (i.e., inform staff to turn in invoices, call vendors, etc.) to ensure all transactions necessary for compliance with GAAP are recorded in their accounting records before the books are closed. Also, districts should use special care when recording transactions during the year-end closing period to ensure transactions are recorded in the proper fiscal year.

7-0310.00 CLOSING PERIOD CALENDAR

Also see section 2-0100, CALENDAR OF OFFICIAL DUTIES, in the School Accounting Manual.

DEADLINE	PERSON(S) RESPONSIBLE	ACTIVITY
May 31 (or earlier)	Teachers, Superintendent, Principals, etc.	Recommended cutoff date for submitting purchase requisitions to clerk. Cutoff date is necessary to allow time for processing purchase orders before year-end. Also see purchasing requirements of specific state and federal grant programs.
June 30	Trustees/Clerk	Last day to pay invoices for goods and services received during the current year. Invoices not paid by June 30 must be accrued during the closing period.
By July 10 or earlier	Clerk	Accrue the cost of all goods and services received, but not paid for, by June 30, including the current year's accrual for payroll and related benefits. Recommended cutoff date for notifying County Treasurer to transfer from General Fund to Comp. Absences Fund based on 30% of the liability of current fiscal year.
During Closing Period	Clerk	Encumber the cost of goods for which a valid purchase order was issued, but the goods not received by June 30 (optional).
By July 10 or earlier	Clerk	Encumber the cost of commitments related to construction in progress, if a legally binding contract was signed and effective, or a valid purchase order was issued, prior to June 30 (optional).

During Closing Period	Clerk	Retain a list of encumbrances (obligations) and expenditure accruals by fund for audit.
During Closing Period	County Treasurer	Send the June County Treasurer's report to school districts (20-9-121, MCA and ARM 10.10.302)

7-0310.00 CLOSING PERIOD CALENDAR (cont'd)

DEADLINE	PERSON(S) RESPONSIBLE	ACTIVITY
July Closing Period	Clerk	Accrue revenues to reflect amounts receivable as of June 30.
During Closing Period		Close out any **prior year** accruals or encumbrances still remaining on the books.
During Closing Period		Calculate and record Compensated Absences Liability as of 6/30.
During Closing Period		Record all other necessary adjustments to the accounting records and close the books for the year. See 7-0320.00
By August 15 or earlier	Trustees/Clerk	Last day to designate and record the portions, if any, of year-end fund balances that will be reserved (20-9-104, MCA) (final budget meeting)
By August 15 or earlier	Trustees	Submit the Trustees' Financial Summary to the County Superintendent.
By 2nd Monday in September	County Superintendent	Submit the Trustees' Financial Summary to the Office of Public Instruction.

CLOSING PROCEDURES CHECKLIST

The following is a checklist of common year-end closing procedures; the list is not meant to be all inclusive. Please refer to related sections of the School Accounting Manual as referenced below.

SUBJECT	REFERENCE	DONE?
June month-end procedures: Verify that: a. Clerk's Cash - Treasurer's Cash less Warrants Payable (reconcile cash balances with the balances shown on the June report from the County Treasurer). b. Warrants Payable = Individual Outstanding Warrants Report total c. Trial Balance Debits = Trial Balance Credits d. Expenditure Control Account (802) = Expenditure Subsidiary Ledger Accounts e. Revenue Control Account (402) = Revenue Subsidiary Ledger Accounts	a. 7-0200.00 RECONCILING WITH THE COUNTY TREASURER d. & e. 1-0350.10 CONTROL ACCOUNTS (page 1-0300-19)	

7-0320.00

Revenue Codes: Review revenues for proper coding. Adjust account codes where necessary to correspond to Trustees' Financial Summary	3-0500.00 REVENUE AND OTHER FINANCING SOURCES DEFINITIONS	
Revenue Amounts: Compare actual revenues to budgeted revenues and investigate significant differences, especially direct state aid and state and county transportation aid, GTB, local government severance taxes, oil and gas taxes. Accrue July state payments as revenue if they were for the prior year. County shortfalls may be accrued as revenue if received within 60 days. Otherwise accrue shortfalls as deferred revenue.	Preliminary & Final Budget/ Trustees' Financial Summary Worksheet 7-04000500 Cash to Accrual Worksheets	
Taxes Receivable and Deferred Revenues: Record taxes receivable at June 30 as deferred revenues. If large protested tax disputes are settled but the cash from the settlement is not received by June 30, it should be recorded as current year revenue, not as deferred revenue. Taxes in transit (cash to be received in July) from joint districts/counties should also be recorded as current year revenue.	5-0220.30 RECORDING PROPERTY TAXES. Also see 5-0220.60 PROTESTED TAX SETTLEMENTS BY JUNE 30	
Charges for Services: If payment is not received by June 30 for goods sold or for services provided by the district during the current year, a receivable should be recorded.	5-0230.20 RECORDING NON-TAX REVENUES; (51600.00 LIST OF RECEIVABLES AND PAYABLES)	
Investment Income: Investment income earned but not received by June 30 should be recorded as a receivable in the appropriate fund.	5-0920.00 RECORDING INVESTMENT ACTIVITY	

7-0320.00 CLOSING PROCEDURES CHECKLIST (cont'd)

SUBJECT	REFERENCE	DONE?
State and Federal Grants: State and Federal grant revenue is usually recognized when the related expenditure is recorded. If grant revenue is received in advance of anticipated expenditures, any cash advances received but not expended as of year-end should be recorded as deferred revenue. If grant revenue is received as a reimbursement for expenditures incurred, any reimbursements not received as of June 30 should be recorded as receivable.	5-0240.00 REVENUES FROM FEDERAL AND STATE GRANTS	
Expenditure Codes: Review expenditures for proper coding. Adjust account codes where necessary. Try to complete the Fund 15 Balance Sheet and Schedule of Revenues and Expenditures as a first step.	3-0600.00 EXPENDITURE AND OTHER FINANCING USES	
Closing Prior Year Expenditure Accruals: Expenditures accrued/ encumbered during the prior year's closing period must be removed from the district's records by June 30 of the current year, either by paying the accrual/encumbrance or by recording a prior year expenditure adjustment.	5-0340.00 RECORDING DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS	
Expenditure Accruals: The cost of goods/services received, but not paid for, by June 30 must be accrued, regardless of whether the invoice/bill has been received.	5-0300.00 EXPENDITURES AND PAYABLES; 5-1600.00 LIST OF RECEIVABLES AND PAYABLES	
Encumbrances: The cost of goods ordered but not received by June 30, and the cost of commitments related to construction in progress **may be** encumbered if certain criteria are met.	5-0400.00 ENCUMBRANCES	
Late Negotiations: If labor agreements and negotiations are not completed by June 30 for the current or a prior year, the district should accrue (i.e., charge expenditures and show a payable for it) a reasonable estimate or the latest offer made by the district. In that way, the district will charge the current year's budget for the known amount of the liability for services rendered through June 30 of that year. If the final settlement in the next fiscal year is greater than the offer accrued, the difference should be recorded as a prior year expenditure adjustment.	5-0340.00 for more information on recording differences between accruals and actual payments.	
Bonds/Notes Payable: Bond/note payments due early in the next fiscal year **may be** accrued in certain instances.	5-1320.10 RECORDING BOND TRANSACTIONS (page 5-1300-2)	

7-0320.00 CLOSING PROCEDURES CHECKLIST (cont'd)

SUBJECT	REFERENCE	DONE?
Compensated Absences: Calculate the district's liability for compensated absences as of June 30. The liability for employees paid from governmental fund types is recorded in the Schedule of Changes in Long Term Liabilities (SCLTL). The liability for employees paid from a proprietary fund is recorded in that fund.	5-1350.00 COMPENSATED ABSENCES (page 5-1300-15	
Claims and Judgments (Contingencies): Record the liability for claims and judgments against the district if the payment is probable and the amount can be reasonably estimated.	5-1360.00 CLAIMS AND JUDGMENTS (page 5-1200-4)	
Depreciation: Record the current year's depreciation expense in proprietary funds and the SCFA.	5-1240.00 DEPRECIATION (page 5-1200-4)	
Schedule of Changes in Long Term Liabilities (SCLTL): Adjust amounts recorded in the SCLTL to reflect payments made on long-term debt during the current year and to include any new debts incurred.	5-1300.00 LONG TERM DEBT	
Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA): Adjust amounts recorded in the SCFA to reflect additions and deletions of fixed assets during the current fiscal year.	5-1200.00 FIXED ASSETS 5-1260.50 HOW TO ESTABLISH FIXED ASSET INVENTORY RECORDS (page 5-1200-16)	
Petty Cash: Petty cash accounts must be fully reimbursed on or before June 30, recording all expenditures paid during the current year from that account in the appropriate fund.	5-1140.00 RECORDING PETTY CASH TRANSACTIONS (page 5-1100-2)	
Supply Inventories: Record the value of supply inventories as an asset and a reserve of fund balance/retained earnings if the value of amounts on hand at June 30th is considered "material."	5-0620.00 METHODS FOR ACCOUNTING FOR SUPPLIES	

7-0320.00 CLOSING PROCEDURES CHECKLIST (cont'd)

Prepaid Expenses: Record payments during the current year for benefits to be received in a subsequent fiscal year as "Prepaid Expenses," if material. Prepaid Expenses are usually limited to fire/liability insurance premiums and rent.	5-0700.00 PREPAID EXPENSES	
Adjustment to Beginning Fund Balance for Conversion to GAAP: If revenues and expenditures related to the prior fiscal year were not accrued during the prior year's closing period, beginning fund balances for the current year are misstated and must be adjusted.	7-0430.00 and 7-0530.00 ADJUSTMENTS TO BEGINNING FUND BALANCE	
SUBJECT	**REFERENCE**	**DONE?**
Agency Funds: Close any revenue, expenditure, or fund balance accounts to an appropriate liability account. These accounts are not reported for Agency funds. GAAP requires asset and liability accounts to equal in Agency funds.	3-0100.00 INTRODUCTION TO CHART OF ACCOUNTS	
Budget to Actual: Compare each budgeted fund's total expenditures, including transfers, to the adopted budget for that fund, including budget amendments to ensure there are no budget overdrafts.	3-0100.00 INTRODUCTION TO CHART OF ACCOUNTS	
Revenue Control Account and Revenue Subsidiary Ledger Accounts: If control accounts are used, the balance in a fund's 402-Revenue Control account must equal the total of all detailed revenue accounts (1000 - 6100) for that fund.	3-0500.00 REVENUE AND OTHER FINANCING SOURCES	
Close Budgetary Accounts: Reverse budgetary entries if made at the beginning of the year, if not, automatically reversed by the computer in the closing process.	Page 3-0400-10, BUDGETING/ NOMINAL ACCOUNTS	
Close Nominal Accounts: Clost Accounts 402 - Revenue and Other Financing Sources (Control), 802 - Expenditures and Other Financing Uses (Control), and 971 - Residual Equity Transfers to Account 970 - Unreserved Fund Balance or Account 940 - Unrestricted Net Assets	Page 3-0400-10, BUDGETING/ NOMINAL ACCOUNTS	

7-0330.00 SUPPORTING DOCUMENTATION

Documentation supporting year-end accrual, encumbrance and adjustment transactions should be retained by the district for audit purposes. The documentation to support encumbrances recorded at year-end must prove the encumbrances meet the valid obligation criteria set forth in section 5-0410.40 of this manual. **The following are minimum requirements for supporting documentation:**

- **Accrued expenditures** for services, supplies and equipment should be supported by a receiving report or invoice dated June 30 or before. Accruals that must be estimated, such as

an accrual for June utilities, should be supported by a written explanation of how the estimate was derived.

- **Encumbrances for goods** should be supported by a valid purchase order. To be considered valid, the purchase order must be completed, signed and mailed or delivered to the vendor by June 30.

- **Encumbrances for construction contracts** should be supported by a legally binding contract, signed and effective by June 30, or by a valid purchase order.

7-0400.00 CASH TO ACCRUAL WORKSHEET - COLUMNAR ACCOUNTING SYSTEMS

7-0410.00 PURPOSE

The purpose of this worksheet is to help districts which maintain columnar accounting records to adjust and close the books at fiscal year end and determine amounts to enter on the Trustees' Financial Summary. The use of the worksheet is optional. **SEE WORKSHEETS ON PAGE 7-0400-23 and 24**.

Completing a worksheet **for each fund** will enable the clerk to complete the Trustees' Financial Summary. Retain the completed worksheets with the district's copy of the Trustees' Financial Summary to support amounts reported on the summary forms. Do not send the Cash to Accrual Worksheet to OPI.

PLEASE READ AND FOLLOW ALL INSTRUCTIONS CAREFULLY. If you have questions, call the School Finance staff at 444-4401.

7-0420.00 BASIC PROCEDURES

The process uses information available from the columnar system to:

Step 1. Establish Balance Sheet (General Ledger) Account Balances;

Step 2. Record Adjustments to Convert from Cash Basis to Accrual Basis of Accounting;

Step 3. Close the Books for the Fiscal Year;

Step 4. Establish Reserve Accounts;

Step 5. Calculate Post-Closing Balance Sheet Account Balances; and

Step 6. Record Information from the Worksheet and Accounting Records to the Trustees' Financial Summary.

7-0430.00 INSTRUCTIONS

BEFORE YOU BEGIN:

1. Read section 7-0100 ACCOUNTING TECHNIQUES FOR COLUMNAR ACCOUNTING SYSTEMS in the School Accounting Manual. Pay special attention to the suggested procedures for **creating a receivable/deferred revenue column** in the cash receipts journal and **a payable column and prepaid expense column** in the warrant journal. Those columns will be used in the following directions for completing the worksheet. Be sure to also verify all items from last year's cash to accrual worksheet have cleared.

2. Copy the worksheet so there is one to use for each fund. Prepare a **separate** Cash to Accrual Worksheet for each fund used by the district. Additionally, the clerk should prepare the Schedule of Changes in Long-Term Liabilities (SCLTL) worksheet and a separate worksheet for the Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA).

3. To begin the worksheet for a fund, shade or cross out areas of the worksheet which will not be used for that fund. The unused lines correspond to lines which are not used on the Trustees' Financial Summary Balance Sheet for that fund. Funds commonly used by small districts are listed below. Contact OPI School Finance Division for information on funds not listed. **Lines which will not be used** are listed below:

General Fund (01)	Lines 38, 51
Transportation Fund (10)	Lines 38, 41, 42, 51
School Foods (12)	Lines 2, 3, 26, 38, 41, 42, 51
Tuition Fund (13)	Lines 2, 3, 26, 38, 41, 42, 51
Retirement Fund (14)	Lines 2, 3, 7-9, 26, 38, 40-43, 51
Miscellaneous Programs Fund (15)	Lines 2, 3, 23, 26, 38-42, 51
Compensated Absences Fund (21)	Lines 2, 3, 5-9, 22, 23, 25, 26, 36-43, 51
Impact Aid (26)	Lines 2, 3, 5-9, 23, 26, 36, 38-42, 51
Student Extracurricular Fund (84)	Lines 2-9, 21-26, 36-42, 51
Payroll Fund (86)/Claims Fund (87)	Lines 2,3, 7-9, 22, 25, 26, 36-52

4. At year-end, keep a list of adjustments and accruals using the "Journal Voucher" on page 70400-24. Number each adjustment and provide a description on the Journal Voucher. Use the same adjustment number to identify that transaction on the worksheet, Warrant Journal or Cash Receipts Journal as directed in these instructions.

5. For most districts, the worksheet will be large enough to accommodate the necessary year-end accruals and encumbrances. Expand the worksheet, if needed, for larger funds.

STEP 1. ESTABLISH BALANCE SHEET ACCOUNT BALANCES

The Trustees' Financial Summary requires each district to report June 30th balances of balance sheet accounts. For those who use columnar accounting systems, balance sheet accounts were not used during the year. This section establishes pre-closing account balances. The pre-closing balances will be adjusted in a later section to the post-closing balances to be entered on the Trustees' Financial Summary.

Use column (a) of the worksheet to establish pre-closing balance sheet account balances as directed below.

Line 1: Cash and Investments Less 620 Warrants Payable

Enter the district's cash and investments balance for June 30th (from the June county treasurer's reconcilement) on line 1 in column (a). Include cash held by the district in separate bank accounts and as petty cash. The June 30th balance of warrants payable should be SUBTRACTED from this item **in all funds except the Payroll and Claims funds**.

For the worksheets for the **Payroll Fund (86) or Claims Fund (87)** only, enter the June 30th cash balance. Do not subtract warrants payable. Enter the balance of warrants payable in the payroll and claims fund on line 23 in column (a) instead.

Line 2: Taxes Receivable - Real and Personal - Net

Line 3: Taxes Receivable - Protested - Net
Taxes receivable will be recorded in an adjusting entry. Enter zero on lines 2 and 3 in column (a).

Line 4: Receivables from Other Funds
Receivables from Other Funds must equal Payable to Other Funds for the district as a whole.

Line 5: Due From Other Governments

Line 6: Other Current Assets
Receivables will be recorded in adjusting entries. Enter zero on lines 4, 5, and 6 in column (a).

Line 7: Inventories
Inventories will be recorded, if material, in adjusting entries. Enter a zero on line 7 in column (a).

Line 8: Prepaid Expenses
If you have not prepaid any expenditures as of June 30th, enter zero on line 8 in columns (a) through (d).

If you have prepaid items such as insurance premiums or rent:

> If your records have a balance in the "prepaid expenses" column as of June 30th, enter the balance on line 8 in column (a). Prepaid expenses will be adjusted to the correct June 30th balance in the adjusting entries.
>
> If your records do not have a "prepaid expenses" column as of June 30th, enter zero on line 8 in column (a). Prepaid expenses will be adjusted to the correct June 30th balance in the adjusting entries.

Line 9: Deposits
If you paid a deposit during the fiscal year as a security for utilities, etc., enter the deposit amount on line 9 in columns (a) and (d), **if material.** The amount entered here should not be included as an expenditure this year; remove it from the line item account where it was charged. This restores the budget.

If you paid a deposit in a prior year and if the amount is **material**, record the amount of deposit on line 9 in column (a). In the revenue journal, indicate in the payee column the deposit was paid in a prior year; add the amount to the 6100 Period Revenue Adjustments column. The deposit (asset) will show on the balance sheet of the district each fiscal year-end until the deposit is returned.

If you have not paid a deposit this year, or if the amount paid in a prior year is **immaterial**, enter zero on line 9 in columns (a) through (d).

NOTE: REPORTING FIXED ASSETS - Lines 10 - 13
Effective FY04, most school districts need to complete a Schedule of Changes in Fixed Assets (SCFA). See section 5-1200 FIXED ASSETS in the School Accounting Manual.

ON WORKSHEETS FOR ALL OTHER FUNDS, enter zero on line 13 in columns (a) and (d).

Also effective FY04, school districts must complete a Schedule of Changes in Long-Term Liabilities (SCLTL). Lines 14-15 and 27-32 are no longer used.

Line 20: Total Assets and Other Debits
Enter the total of lines 1 through 15 on line 20 in column (a).

Line 21: Payables to Other Funds
Line 22: Due to Other Governments
Adjustments to liabilities (payables) are discussed later in these instructions. Enter zero on lines 21 and 22 in column (a).

Line 23: Warrants Payable
ON THE WORKSHEETS FOR PAYROLL FUND (86) AND CLAIMS FUND (87) ONLY, enter the total amount of warrants payable on line 23 in column (a) and (d). ON WORKSHEETS FOR ALL OTHER FUNDS, warrants payable are subtracted from cash and investments on line 1.

Line 24: Other Current Liabilities
Adjustments to liabilities (payables) are discussed later in these instructions. Enter zero on line 24 in column (a).

Line 25: Deferred Revenue
Deferred revenue will be determined using adjusting entries in a later section of these instructions. Enter zero on line 25 in column (a).

Line 26: Other Liabilities
Adjustments to liabilities (payables) are discussed later in these instructions. Enter zero on line 26 in column (a).

Line 35: Total Liabilities
Enter the sum of lines 21 through 31 on line 35 in column (a).

Line 36: Reserve for Inventories
Line 37: Reserve for Encumbrances
The reserves for inventories and encumbrances will be established, if required, in the adjustments section of these instructions. Enter zero on lines 36 and 37 in column (a).

Line 38: Reserve for Endowments - Not used.
Line 39: Reserve for Operations
The reserve for operations will be established in adjusting entries. Enter zero on line 39 in column (a).

Line 40: Reserved
Line 41: Reserve for Unused Protested Taxes - GENERAL FUND (01) ONLY
Line 42: Reserve for Unused Tax Audit Receipts - GENERAL FUND (01) ONLY **Line 43: Reserved**
Line 44: Reserved
These reserves will be only established for **General Fund (01)**, if appropriate, using an adjustment in a later section of these instructions. Enter a zero on lines 40 through 43 in column (a) of the General Fund worksheet.

Funds **other than the General Fund** will not have these reserves. Enter a zero on lines 41 and 42 in columns (a) and (d) of worksheets for funds other than the General Fund.

Lines 45-47: Reserved

Line 48: Unreserved Fund Balance June 30th - BEGINNING BALANCE
On line 48 in column (a), enter the unreserved (reappropriated) fund balance (970) for the fund from last year's Trustees' Financial Summary. **This is the beginning fund balance for the fiscal year, before adjustments.**

Line 49: Reserved

Line 50: Not used.

Line 51: Net Assets - PROPRIETARY FUNDS 70 - 77 ONLY
If proprietary funds (70-77) are not used, enter zero on line 51 in columns (a) and (d) for all funds.
If proprietary (70-77) funds are used, ON THE WORKSHEET FOR A PROPRIETARY FUND, enter on line 51 in column (a) the fund balance from the last year's Trustees' Financial Summary.

Line 52: Total Fund Balance/Equity (June 30th)
Enter the sum of lines 36 through 51 on line 52 in column (a).

Line 53: Total Liabilities and Fund Balance/Equity
Enter the sum of Total Liabilities from line 35 plus Total Fund Balance/Equity from line 51 on line 53 in column (a). This amount must equal Total Assets and Other Debits on line 20 in column (a) for each fund.

Line 54: Revenues and Other Financing Sources
Enter the unadjusted June 30th total of the fund's revenues and other financing sources in revenue accounts 1000 through 6100 from the Cash Receipts Journal.

Line 55: Expenditures and Other Financing Uses
Enter the unadjusted June 30th total of expenditures and other financing uses in object accounts 100 through 920 from the Warrant Journal.

When the line items above have been set up as directed, make sure the following equation is true:
Line 20, col.(a) TOTAL ASSETS AND OTHER DEBITS _____ plus Line 55, col.(a) Expenditures and Other Financing Uses _____

equals

minus Line 53, col. (a TOTAL LIAB. AND FUND BALANCE/EQUITY _____
minus Line 54, col. (a) Revenue and Other Financing Sources _____
equals Zero - 0 - ==========

STEP 2. RECORD ADJUSTMENTS TO CONVERT FROM CASH BASIS TO ACCRUAL BASIS OF ACCOUNTING

The following adjustments will: A) Establish receivables; B) Establish liabilities (payables); C) Record encumbrances; D) Establish prepaid expenses; and E) Establish inventories; and F) Adjust beginning fund balance for the first year conversion to GAAP.

These instructions list necessary adjustments, funds which may be affected, and discuss the method for entering the adjustments on the worksheet and district's records.

Number each adjusting entry. Use the same number to identify the adjustment on the "Journal Voucher" page, worksheet, Cash Receipts Journal, or Warrant Journal to identify the adjustment. Keep a list of adjustments attached to the worksheets.

A. Adjusting Entries to Establish Receivables

1) Taxes Receivable

Funds: All Budgeted/Levied Funds - General (01), Transportation (10), Bus Depreciation (11), Tuition (13), Adult Education (17), Technology (28), Flexibility (29), Debt Service (50), and Building Reserve (61)

Determine the June 30th taxes receivable for each fund for real, personal, and protested taxes. This information must be provided to you on the June county treasurer's report. Enter "Not Available" if this information is not provided to you by the county treasurer.

On the Worksheet:

Line 2: Taxes Receivable-Real and Personal

Enter the sum of the June 30th real and personal property taxes receivable for the fund on line 2 in column (b).

Line 3: Taxes Receivable-Protested

Enter the amount of June 30th protested taxes receivable for the fund on line 3 in column (b).

Line 25: Deferred Revenue

Enter the total of lines 2 and 3 on line 25 in column (c).

2) School Foods Reimbursements

Funds: School Foods Fund (12)

If all state or federal reimbursements for the current year have been received by June 30th no adjusting entries need to be recorded. If school foods state and Federal revenues for the current year will be received after June 30th, proceed as follows:

a. Calculate the amount of **Federal reimbursement** to be received for any claim through June 30th for which reimbursement has not been received by June 30th.

OPI will report to the district before June 30th the **state match** amount for June, if any. If the match has not been received by June 30th, record the accrual adjustment shown below.

b. On the worksheet:
Line 5: Due from Other Governments
Enter the total of the federal and state food reimbursements receivable as of June 30th as calculated above on line 5 in column (b).

c. In the Revenue Journal:
Add the amount of the **federal reimbursement** receivable to revenue 4550-Federal Child Nutrition. Also enter the amount in the Receivable column. See section 7-0130.00 in the School Accounting Manual. Add the amount of the **state match** receivable to revenue 3220-State Food Services Match. Also enter the amount in the Receivable column. See section 7-0130.00 in the School Accounting Manual.

3) Federal and State Grants

Funds: The following adjustment should be recorded in any fund in which state or federal grants are deposited. This adjustment does not apply to PL 81-874 Impact Aid or school foods reimbursements discussed above.

GAAP requires that the district record grant revenues in the year the expenditures are recorded. As a result, **grant revenues should equal grant expenditures**. In order to determine the adjustments to revenues proceed as follows:

a. Determine the total revenues received by the county treasurer and expenditures recorded on the accounting records **for each grant project** during the fiscal year.

b. Calculate the difference between the amounts recorded as revenues (receipts) and expenditures (disbursements).

c. Revenues are greater than expenditures:

Grant Closes June 30th: District must refund unused funds to grantor If writing the refund warrant by June 30th:

In the Cash Receipts Journal:
Subtract the amount from the appropriate revenue column where it was deposited during the current year. (This is known as a revenue abatement.)

In the Warrant Journal:
Record the warrant but do not charge it to an expenditure (i.e., do not add the warrant amount in an expenditure column). This warrant is a refund, not an expenditure.

If the refund warrant has not been written by June 30th:

On the worksheet:
Line 22: Due to Other Governments
Enter the amount of the refund owed to the grantor on line 22 in column (c).

In the Cash Receipts Journal:
Subtract the amount from the appropriate revenue column where it was deposited when received during the current fiscal year.

Grant does not Close June 30th, and the district may retain unspent funds and spend in the next fiscal year:

On the worksheet:
Line 25: Deferred Revenue
Enter the difference between revenues and expenditures (i.e., the amount of unspent grant money) on line 25 in column (c).

In the Cash Receipts Journal:
Subtract the amount of the unspent grant money from the appropriate revenue column.

d. Expenditures greater than revenues:

If a reimbursement is expected from the grantor:
On the worksheet:
Line 5: Due From Other Governments
Enter the difference between grant revenues and expenditures (i.e., the amount of expected reimbursement) on line 5 in column (b).

In the Cash Receipts Journal:
Add the amount of the reimbursement receivable to the appropriate grant revenue column. Also enter the amount in the Receivable column.

Grant is overspent, and excess expenditures must be charged to General Fund:

In the Warrant Journal:
Enter the amount overspent as a negative in the grant expenditure columns. Charge the expenditure to a column in the General Fund. Notify the county treasurer that the General Fund budget must be charged for the expenditures moved to the General Fund from the Miscellaneous Programs Fund.

e. Transfer Unused Tuition in Fund 15 to General Fund:

In the Cash Receipts Journal for the Miscellaneous Programs Fund:
Subtract the unused amount from the appropriate revenue column where it was deposited during the current year. (Treat as a revenue abatement.)

On the worksheet for the Miscellaneous Programs Fund:
Line 21: Payable to Other Funds
Enter the same amount on line 21 in column (c).

In the Cash Receipts Journal for the General Fund:
Add the amount to the appropriate tuition revenue column.

On the worksheet for the General Fund:
Line 4: Receivables from Other Funds
Enter the same amount on line 4 in column (b).

4) Interest Receivable
Funds: Any fund which receives interest.

If the county treasurer reports an amount of interest earned but not deposited to the fund (or included in the total investment balance) by June 30th, accrue the interest if the amount is greater than $100.

On the worksheet:
Line 1: Cash and Investments less Warrants Payable Enter the interest receivable on line 1 in column (b).

In the Cash Receipts Journal:
Add the interest receivable to 1510-Interest Earnings. Also enter the amount in the Receivable column.

5) Tuition Receivable
Funds: General Fund (01).

Tuition owed to the district on June 30th but not yet received in cash should be recorded as a receivable if greater than $100.

On the worksheet:
Line 5: Due from Other Governments
Enter the tuition receivable on line 5 in column (b) of the worksheet.

In the Cash Receipts Journal:
Add the amount receivable to the tuition revenue (1310, 1320 or 1330) column. Also enter the amount in the Receivable column.

6) Drivers' Education Reimbursement
Funds: Traffic Education Fund (18).

The estimated reimbursement to be received after June 30th (OPI will provide estimate in June) should be recorded as receivable if greater than $100.

On the worksheet:
Line 5: Due From Other Governments
Enter the estimated receivable amount on line 5 in column (b).

In the Cash Receipts Journal:
Add the receivable amount to the column for 3260-Drivers' Education Reimbursement. Also enter the amount in the Receivable column.

7) Direct State Aid Receivable
Fund: General Fund (01)

Any remaining unpaid OPI DSA and Special Education revenue should accrued by the district.

On the worksheet:
Line 5: Due From Other Governments
Enter the total payment as the receivable amount on line 5 in column (b).

In the Cash Receipts Journal:
Add the appropriate amount to the columns for 3110-State and County Equalization Aid and 3115-Special Education. Enter the total amount in the Receivable column.

8) County Transportation or Retirement Aid Receivable Fund: Transportation Fund (10) or Retirement Fund (14)

Uncollected county retirement or transportation revenue should be recorded a receivable if the amount is material. Compare the budgeted amount to the actual amount received.

On the worksheet:
Line 5: Due From Other Governments
Enter the total amount receivable on line 5 in column (b).

9) Other Government Payments
Funds: Any fund which receives money from another district or government unit.

Other income receivable at June 30th from any governmental source, such as another district, the state, the county, or a state agency such as OPI, should be adjusted as described in (7). Grant revenues should be adjusted as shown in (3).

B. Adjusting Entries to Establish Liabilities (Payables)

If goods or services have been **received** by June 30th and warrants will not be issued until next fiscal year, the costs of these goods and services must be recorded as current year expenditures and liabilities. If the district does not have sufficient budget authority after recording the following adjusting entries, the district must consider returning goods to vendors or adopting a budget amendment.

1) Salaries and Benefits
Funds: Any fund which pays employees. If you have paid all salaries and benefits for work performed through June 30th, no adjustment is needed.

Record amounts owed for salaries and benefits for work performed by June 30th as a current expenditure and a payable if greater than $100. For example, if you will pay teachers in July and August for the school year ended June 30th, you should record an accrual for the salaries and benefits owed. If June salaries and benefits for year-round employees will be paid in July, also accrue those expenditures.

If negotiations are not settled by June 30, also accrue the board's last offer.

On the worksheet:
Line 24: Other Current Liabilities (includes 661-Salaries and Benefits Payable)
Enter the total salaries and benefits owed on June 30th on line 24 in column (c). Include salaries, health insurance, TRS, PERS, etc. (Do not include unpaid accumulated sick leave or vacation leave.)

In the Warrant Journal:
Add the payable amounts to the appropriate expenditure columns for salaries, health insurance, TRS, PERS, etc. Also enter the payable amounts in the Payable column.

2) Goods and Services Received by June 30th

Fund: Any fund which purchases goods and services. If a warrant was issued by June 30th for goods or services received by June 30th, no accrual adjustment is needed.

Costs of goods and services received by June 30th for which the district has not paid by June 30th, such as supplies, textbooks, equipment, cleaning and repair services, June utilities, June phone bills, and any other unpaid invoices, must be recorded as a payable. If the cost of one item or a group of items is under $100, consider not accruing the payable for the item(s).

On the worksheet:
Line 24: Other Current Liabilities
Enter the amount owed for goods and services on line 24 in column (c). Include freight.

In the Warrant Journal:
Add the amount owed for goods and services to the appropriate expenditure column. Also enter the amount in the Payable column.

3) Workers' Compensation Premiums and Payroll Taxes

Funds: Usually General Fund, or any fund which pays workers' compensation. If the district pays the obligation by June 30th, no adjusting entry is needed.

Record the amount of premiums and payroll taxes the district owes on June 30th (to be paid in July) as an expenditure and a payable. Contact the State Fund or MSBA to determine the amount due.

On the worksheet:
Line 24: Other Current Liabilities
Enter the premiums and payroll taxes payable for the fund on line 24 in column (c).

In the Warrant Journal:
Add the amount owed for premiums and payroll taxes to 250 Workers' Compensation expenditure column. Also enter the amount in the Payable column.

4) Payments on Long-Term Debt

Funds: Debt Service Fund (50) or other fund used to pay bond payments and long-term notes. If bonds or notes are not outstanding, this adjustment is not needed.

If the district has budgeted for resources necessary for a payment on bonds or notes due early in the next fiscal year, the payment (principal and interest) should be charged as an expenditure of the current fiscal year. Otherwise, the payment **must** be budgeted and charged as an expenditure when paid in the next year. If chosen, this option must be consistently applied in every year thereafter. In other words, if the July 1 payment is charged to June's budget, the district must charge each June's budget for the July 1 payment each year throughout the life of the bond or note. The budget for the current year must be able to absorb the expenditure if this option is chosen, or a budget amendment may be needed.

On the worksheet:
Line 24: Other Current Liabilities
ON THE WORKSHEET OF THE FUND WHICH WILL MAKE THE PAYMENT, enter the payment, including principal and interest, which is due early next year on line 24 in column (c).

In the Warrant Journal:
Add the payable amount, including principal and interest, to the appropriate expenditure columns. Also enter the amount in the Payable column.

5) Credit Card Charges

Funds: Any fund which pays for goods and services. If goods and services received by June 30th are paid for by June 30th, no accrual is needed.

Amounts owed on credit cards for goods and services received by June 30th should be recorded as a payable. On the worksheet:

Line 24: Other Current Liabilities
ON THE WORKSHEET OF THE FUND WHICH WILL MAKE THE PAYMENT, enter the amount owed on June 30th for goods or services charged on a credit card on line 24 in column (c).

In the Warrant Journal:
Add the payable amount(s) to the appropriate expenditure columns. Also enter the amount in the Payable column.

6) Tuition Payable

Funds: Tuition Fund (13). If tuition owed in June is paid by June 30th, this adjustment is not needed.

Tuition owed to another district on June 30th, should be recorded as an expenditure and a payable.

On the worksheet:
Line 22: Due to Other Governments
Enter the tuition owed on June 30th on line 22 in column (c).

In the Warrant Journal:
Add the tuition payable to 561-Tuition or other appropriate expenditure column. Also enter the amount in the Payable column.

7) Special Education Reversion

Fund: General Fund (01)

Special education block grants and the required match must be spent by June 30. The unspent and unmatched block grant amounts will be "reverted" in the next year by reducing the special education allowable cost payment for that year. It therefore becomes part of next year's revenue. Use the worksheet included with the Trustees' Financial Summary to calculate the amount of reversion. Record the reversion calculated as a reduction of 3115 State Special Education Allowable Costs and as deferred revenue.

On the worksheet:
Line 25: Deferred Revenue
Enter the reversion as deferred revenue on line 25 in column (c).

In the Cash Receipts Journal:
Subtract the reversion amount from the 3115 State Special Education Allowable Costs revenue column for the current year. Add the amount to the Payable column. (Note: In the next fiscal year when Special Education Allowable Costs funding is received, reduce the Payable column and record the amount as 3115 State Special Education Allowable Costs revenue.)

8) Refunds Due to the Grantor

Funds: Any fund used to account for federal or state grant money. If a refund warrant is issued and mailed to a grantor by June 30th, no accrual is needed.

Amounts owed to grantors on June 30th should be recorded as a payable.

On the worksheet:
Line 22: Due to Other Governments
Enter the refund amount owed on June 30th on line 22 in column (c).

In the Cash Receipts Journal:
Subtract the amount from the appropriate grant revenue column for the current year. Indicate that a refund is to be made.

In the Warrant Journal:
Record the amount owed as a refund in the Payable column. Indicate a refund is owed. Do not record an expenditure.

C. Adjusting Entries to Record Encumbrances (Optional) Funds:
Any fund which pays for goods or construction.

Districts may encumber the cost of:

- **goods** for which a purchase order was processed by June 30th; and
- **construction** for which a valid contract was signed and effective by June 30th.

Districts may choose whether to encumber none, some, or all of the items that meet the criteria for encumbrance.

(Note: If goods were received or services on the construction contract were performed by June 30th, costs MUST be accrued as shown in step 2.)

On the worksheet:
Line 37: Reserve for Encumbrance
Enter the amount encumbered on line 37 in column (c).

In the Warrants Journal:
Add the cost of the encumbrance to the appropriate expenditure column being encumbered. Explain the transaction as an encumbrance. Also add the amount to the Payable column.

D. Adjusting Entries for Prepaid Expenses

Funds: Usually General Fund (01), or any fund which prepays insurance premiums or rent. If prepayments were not made during the fiscal year, this adjustment is not needed. If a significant amount of unexpired liability insurance, rent, etc., exists on June 30th, the prepaid expenses asset account must be established or adjusted. For health insurance, see adjustment 2B(1), Salaries and Benefits.

If there was a balance in a Prepaid Expenses column on June 30th before adjustment, it was entered on line 8 in column (a). Determine the amount prepaid which has not expired on June 30th. Subtract the unexpired amount from the balance of the Prepaid Expenses column. The difference is an expenditure of this year.

On the worksheet:
Line 8: Prepaid Expenses
Enter the difference (expenditure) on line 8 in column (c).

In the Warrant Journal:
Add the difference (expenditure) to the appropriate expenditure column for insurance or rent, etc. Explain the transaction is an adjustment of prepaid expenses.

If there was no Prepaid Expenses column, or no balance in the column on June 30th, the district recorded the entire prepayment as an expenditure when paid in the current year. Determine the amount of prepayment unexpired as of June 30th.

On the worksheet:
Line 8: Prepaid Expenses
Enter the amount of the unexpired prepayment on line 8 in column (b).

In the Warrant Journal:
Subtract the unexpired amount from the expenditure column (insurance, rent, etc.) it was charged to when paid this year. Also enter the amount in the Prepaid Expenses column. Explain the transaction is an adjustment of prepaid expenses.

ALSO SEE "PRIOR PERIOD ADJUSTMENT OF PREPAID EXPENSES," step 2F(3).

E. Adjusting Entries for Inventories

Funds: Any fund which purchases supplies. If the value of supplies on hand at June 30th is immaterial to the fund (for example, less than 10% of total assets of the fund, not including fixed assets), this adjustment is not needed.

If the district has significant supply inventories on hand at June 30th, the amount on hand must be recorded as inventories and a reserve of fund balance established.

On the worksheet:
Line 7: Inventories
Enter the value of June 30th supplies on hand on line 7 in columns (b) and (d).

Line 36: Reserve for Inventories
Enter the value of June 30th supplies on hand on line 7 in columns (b) and (d).

F. Adjustments to Beginning Fund Balance

Funds: All funds which incur revenues and expenditures

If this is the first year the district will convert to modified accrual basis (GAAP), adjustments may be necessary to correctly state fund balance, revenues and expenditures for the year.

Revenue applicable to the prior year which was not accrued last year-end in accordance with GAAP was recorded as revenue in current year when received. Therefore,revenue for the prior year was understated and revenue for the current year was overstated. Because revenues increase fund balance in the year recorded, the June 30th fund balance was understated by not recording the accrual. If the amount of the revenue was small, the misstatement was not large enough to cause someone interpreting the fund balance and revenues to be seriously misled. If the amount was large, the results could be misleading. Therefore, only large, or "material" accruals not recorded for the prior year require adjustment.

The same thing is true for expenditures. If material expenditures for the prior year were not accrued in accordance with GAAP, an adjustment will be required in order to correct the beginning fund balance and current year expenditure balances.

1. Prior Period Revenue Adjustments

If the district received cash during the current year which was applicable to the prior year, record an adjustment if the amount was material. OPI suggests an amount which is 5% or more of total revenue of the fund should be considered for adjustment. (Note: This percentage is suggested, but not mandated, by OPI. Auditors may prefer a different percentage; contact your auditor if you have questions.)

In the Cash Receipts Journal:

a) Subtract the revenue from the revenue column where it was recorded during the year. Explain this adjustment on that page.

b) Record the revenue as source 6100 Prior Year Revenue Adjustments. This can be done either by adding a column for 6100, by placing a star by the adjustment in 1) above and explaining the 6100 transaction on the bottom of the page, or by keeping a separate sheet for year-end adjustments showing the addition to 6100 revenue.

2. Prior Period Expenditure Adjustments

If the district paid in the current year for goods and services received by June 30th of the prior year, record and adjustment if the amount was material. OPI suggests an amount which is 5% or more of the total current year expenditures of the fund. (Note: This percentage is suggested, but not mandated, by OPI. Auditors may prefer a different percentage; contact your auditor if you have questions.)

In the Warrant Journal:

a) Subtract the expenditure from the expenditure column where it was recorded during the year. Explain this adjustment on that page.

b) Record the expenditure using object 892 Prior Period Expenditure Adjustments. This can be done either by adding a column for 892, by placing a star by the adjustment in 1) above and explaining the 892 transaction on the bottom of the page, or by keeping a separate sheet for year-end adjustments showing the charge to 892 expenditures.

3. Prior Period Adjustment of Prepaid Expenses

If the district prepaid insurance or rent in a prior year and an unexpired portion remained on June 30th, record an adjustment if the prepaid amount on June 30th, was material. OPI suggests a prepayment which was 5% or more of current year expenditures should be considered for adjustment. (Note: This percentage is suggested, but not mandated, by OPI. Auditors may prefer a different percentage; contact your auditor if you have questions.)

In the Warrant Journal:
Enter the June 30 prior year unexpired amount of prepayment in the appropriate expenditure column. This results in a charge to the current budget. Explain the transaction on the journal as an adjustment to beginning fund balance for a prior year prepayment.

In the Cash Receipts Journal:
Record the amount in revenue column 6100 Prior Year Revenue Adjustments. This can be done either by adding a column for 6100, by placing a star by the adjustment in 1) above and explaining the 6100 transaction on the bottom of the page, or by keeping a separate sheet for year-end adjustments showing the addition to 6100 revenue.

STEP 3. CLOSING THE BOOKS FOR THE FISCAL YEAR

The following adjustments will: A) Close revenues to record the increase of fund balance/equity; and B) Close expenditures to record the decrease of fund balance/equity.

A. Close Revenues into Fund Balance/Equity
Funds: All funds which receive revenue

Determine the total balance in all revenue columns (1000-6100) for each fund, including accruals recorded in adjusting entries. Add the total of the revenue and other financing sources accounts to the beginning fund balance.

On the worksheet:
Governmental Fund Types: Line 48: Unreserved Fund Balance
Proprietary Funds (70-77): Line 51: Net Assets Enter
the total of current revenues in column (c).

B. Close Expenditures into Fund Balance/Equity
Funds: All funds which incur expenditures

Determine the total balance in all expenditure columns (100-920) for each fund, including accruals and encumbrances recorded in adjusting entries. Subtract the expenditures and other financing uses accounts from beginning fund balance/equity.

On the worksheet:
Governmental Fund Types: Line 48: Unreserved Fund Balance
Proprietary Funds (70-77): Line 51: Net Assets
Enter the total of current expenditures in column (b).

STEP 4. ESTABLISH RESERVE ACCOUNTS
The following adjustments will: A) Establish operating reserves; and B) Establish special General Fund reserves.

First, determine the total fund balance after all adjustments and closing transactions in steps 2 and 3 above are made. On the worksheet, add line 48 column (a) plus column (c), minus column (b).

Determine what amounts will be set aside as operating reserves and special purpose.
Refer to legal limitations listed page 3-0400-11 of the School Accounting Manual.

A. Establish Operating Reserves
Funds: General Fund (01), Transportation (10), Tuition Fund (13), Adult Ed (17),
Debt Services (50)
Move the reserve amounts from the fund's unreserved fund balance account to the appropriate reserve accounts.

On the worksheet:
Governmental Fund Types: Line 48: Unreserved Fund Balance Proprietary Funds (70-77): Line 51: Net Assets

Enter the total of the operating reserve for June 30th in column (b).

Line 39: Reserve for Operations
Enter the reserve amount on line 39 in column (c) and (d).

B. Establish Special General Fund Reserves
Fund: General Fund (01)

Determine what amounts, if any, will be set aside as reserves for protested taxes and tax audit receipts. Move the reserve amounts from the fund's unreserved fund balance account to the appropriate reserve accounts.

On the worksheet:

Line 40: Not used
Line 41: Reserve for Unused Protested Taxes
Line 42: Reserve for Unused Tax Audit Receipts
Line 43: Not Used
Line 44: Not Used
Enter the amounts of reserves on lines 40, 41, 42, 43 and 44 in columns (c) and (d) in the General Fund only.

Line 48: Unreserved Fund Balance
Enter the total of reserves from lines 39 through 43 on line 48 in column (b).

STEP 5. CALCULATE POST-CLOSING BALANCE SHEET ACCOUNT BALANCES

A. Completing the Worksheet
After all adjustments have been posted to the worksheet for a fund, sum the columns (a) through (c) from left to right. Notice that lines 1 through 20 add (b) and subtract (c). Lines 21 through 53 subtract (b) and add (c). Enter the total in the Post-Closing Balance column (d).

Make sure line 20, Total Assets and Other Debits equals line 53, Total Liabilities and Fund Balance/Equity for each fund.

B. Completing the Schedule of Changes in Long Term Liabilities (SCLTL) and Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets Worksheet

STEP 6. RECORD INFORMATION FROM THE WORKSHEET AND ACCOUNTING RECORDS TO THE TRUSTEES' FINANCIAL SUMMARY

Balance Sheet Enter totals from column (d) of the worksheet for each fund on corresponding lines of the balance sheet in the column for that fund. Again, make sure line 20 equals line 53.

Schedule of Current Revenues and Expenditures Enter the totals of current revenue (1000-4999), operating transfers out (5300), prior period adjustments (6100), and residual equity transfers (9710) columns and current expenditure columns (100-880), prior period adjustments (XXX-999-9999-892), operating transfers out (999-6100-910) and residual equity transfers out (999-9999-971) for each fund in the appropriate section of the schedule. The column totals should include accruals (mandatory) and encumbrances (optional). See the Trustees' Financial Summary Instructions for a discussion of the expenditure coding on the schedule.

Expenditure Detail Report by Object: See Trustees' Financial Summary Instructions.

Project Reporter Codes: No special directions needed for columnar accounting systems.

Special Education Reversion Worksheet: Complete this worksheet to determine if the district owes any reversion. Follow the instructions on the worksheet and show any reversion as deferred revenue on June 30th. Record the reversion amount as revenue in the next fiscal year when the district's monthly payment is reduced by the amount of the reversion.

BUDGET NOTE: Line 48 should be entered on the budget form as Fund Balance for Budget and then reported as Reserved or Unreserved Fund Balance.

7-0440.00 CASH TO ACCRUAL WORKSHEET - Columnar Accounting Systems

FY _____ District _____
See instructions attached. Fund Name/No. _____

	ACCOUNT NAME	ACCT NO.	PRECLOSING BALANCE (a)	YEAR END ADJUSTMENTS AND CLOSING TRANSACTIONS (b) plus	(c) minus	POSTCLOSING BALANCE (a) +/- (b) +/ (c) = (d)
	ASSETS AND OTHER DEBITS					
01	Cash and Investments less Warrants Payable	101-119 620				
02	Taxes Receivable - Real and Personal	120-149				
03	Taxes Receivable - Protested - Net	150-159				
04	Receivables From Other Funds	160-179				
05	Due From Other Governments	180				
06	Other Current Assets	190-210				
07	Inventories	220-230				
08	Prepaid Expenses	240				
09	Deposits	250				
10-19	Not Used					
20	TOTAL ASSETS AND OTHER DEBITS					
	LIABILITIES					
21	Payable to Other Funds	601-610				
22	Due To Other Governments	611				
23	Warrants Payable (Fund 86 & 87 only)	620				
24	Other Current Liabilities	621-679				
25	Deferred Revenue	680				
26	Other Liabilities	690-699				
27-34	Not Used					
35	TOTAL LIABILITIES					
	FUND BALANCE/EQUITY					
36	Reserve for Inventories	951				
37	Reserve for Encumbrances	953				
38	Reserve for Endowments (Fund 81 only)	954				
39	Reserve for Operations	961				
40	Not Used					
41	Reserve for Unused Protested Taxes	963				
42	Reserve for Unused Tax Audit Receipts	964				
43-47	Not Used					
48	Unreserved Fund Balance June 30th	970				
49-50	Not Used					
51	Net Assets	930-940				
52	TOTAL FUND BALANCE/EQUITY					
53	TOTAL LIABILITIES AND FUND BALANCE/EQUITY					

54	Revenue/Other Financing Sources (Rev 1000 - 6100)				
55	Expenditures/Other Financing Uses (Exp 100 - 940)				

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7-0450.00 **LIST OF YEAR END ADJUSTMENTS & ACCRUALS**

(attach to Cash to Accrual Worksheet for each fund)

Adj #	Worksheet Reference	Description of Adjustment

7-0500.00 CASH TO ACCRUAL WORKSHEET - DOUBLE ENTRY ACCOUNTING SYSTEM

7-0510.00 PURPOSE

The purpose of this worksheet is to help districts which use computers, pegboards, and other types of double entry accounting systems adjust and close the books at fiscal year end and determine the amounts to enter on the Trustees' Financial Summary. The worksheet is optional. **SEE WORKSHEET ON PAGE 7-0500-21/24.**

The completed worksheet **for each fund** will enable the clerk to complete the Trustees' Financial Summary Balance Sheet. Retain the completed worksheet with the district's copy of the Trustees' Financial Summary to support amounts reported on the summary forms. Do not send the Cash to Accrual Worksheet to OPI. PLEASE READ AND FOLLOW ALL INSTRUCTIONS CAREFULLY. If you have questions, call the GAAP Accounting staff at 444-4401.

7-0520.00 BASIC PROCEDURES

The process uses information available from the accounting system to:

Step 1. Establish Pre-Closing Balance Sheet (General Ledger) Account Balances;

Step 2. Record Adjustments to Convert from Cash Basis to Accrual Basis of Accounting;

Step 3. Close the Books for the Fiscal Year;

Step 4. Establish Reserve Accounts;

Step 5. Calculate Post-Closing Balance Sheet Account Balances; and

Step 6. Record Information from the Worksheet and Accounting Records on the Trustees' Financial Summary.

7-0530.00 INSTRUCTIONS

BEFORE YOU BEGIN:

1. Copy the worksheet so there is a copy to use for each fund. Prepare a **separate** Cash to Accrual Worksheet for each fund used by the district. Do the worksheet for one fund at a time.

2. To begin the worksheet for the fund, shade or cross out areas of the worksheet which will not be used for a certain fund before beginning the worksheet for that fund. The lines to cross out are the same lines which are shaded or omitted for that fund on the Trustees' Financial Summary Balance Sheet.

7-0530.00 INSTRUCTIONS (Cont'd)

3. At year-end, keep a list of adjustments and closing procedures. The "Journal Voucher" form on page 7-0500-24 is a suggested format. Number each adjusting entry. Use the same number to identify the entry on the journal voucher and the worksheet.

4. For most districts, the worksheet will be large enough to accommodate the necessary year-end accruals and encumbrances. Expand the worksheet, if needed, for larger funds.

5. Additionally, the clerk should prepare a Schedule of Changes in Fixed Assets, Depreciation and Net Fixed Assets (SCFA) and the Schedule of Changes in Long Term Liabilities (SCLTL). See Topic 5-1200.00 (Fixed Assets) and Topic 5-1300.00 (Long-Term Debt) for more information.

STEP 1. ESTABLISH PRE-CLOSING BALANCE SHEET ACCOUNT BALANCES

The Trustees' Financial Summary requires each district to report June 30 balances of balance sheet accounts. Step 1 instructions help to set up the worksheet for each fund using a trial balance from the double entry accounting system. Later instructions discuss adjustments and closing entries to calculate a post-closing trial balance, which will be used to fill out the Trustees' Financial Summary.

Run a pre-closing trial balance sheet off the computer, or create a manual trial balance. List each account on your accounting system, and note the account balance in the debit or credit column. The sum of the debits must equal the credits for each fund. If not, determine the reason and record a correction.

From the trial balance, enter account balances for asset, liability, and fund balance accounts on the worksheet in column (a) for each fund as directed below. Combine the balances of accounts shown in the account number column for each line. For example, enter the sum of the balances of accounts 220 and 230 on line 7, Inventories.

Line 1: Cash and Investments Less 620 Warrants Payable (101-119, 620)

Enter the cash and investments balance for June 30 on line 1 in debit column (a). Include cash held by the district in separate bank accounts and as petty cash. Notice from the account numbers that interest receivable on investments is included on this line. The June 30 balance of warrants payable should be SUBTRACTED from this item **in all funds except the Payroll and Claims funds**.

For the worksheets for the **Payroll Fund (86) and Claims Fund (87)** only, enter the June 30 balance of cash and investments. Do not subtract warrants payable. Enter the balance of warrants payable in the payroll and claims fund on line 23 in credit column (a) instead.

Line 2: Taxes Receivable - Real and Personal - Net (120-149)

Line 3: Taxes Receivable - Protested - Net (150-159)

Taxes receivable will be recorded in an adjusting entry. Enter zero on lines 2 and 3 in debit column (a).

If the balance of taxes receivable recorded last fiscal year-end still remains in the receivable and deferred revenue accounts, reverse last year's entry to zero the balances of those accounts (Debit 680, Credit 120, 130, 150). Current taxes receivable will be adjusted in step 2.

7-0530.00 **INSTRUCTIONS (Cont'd)**

If taxes receivable were recorded and adjusted continually during the year, enter the account balances from the trial balance on lines 2 and 3 in debit columns (a) and (d). Amounts recorded as taxes receivable should agree to the receivables reported to you on the county treasurer's report for June.

Line 4: **Receivables from Other Funds** (160-179)
Line 5: **Due From Other Governments** (180)

Line 6: **Other Current Assets** (190-210)
Receivables will be recorded in adjusting entries. Enter zero on lines 4, 5, and 6 in column (a).

If receivables were recorded and adjusted continually during the year, enter the account balances from the trial balance on lines 4, 5, and 6 in debit column (a).

Line 7: **Inventories** (220-230)
If the purchases method is used, inventories will be recorded, if material, in adjusting entries. Enter a zero on line 7 in column (a).

If the consumption method is used (rare), enter the account balance from the trial balance on line 7 in debit columns (a) and (d).

Line 8: **Prepaid Expenses** (240)
If you have not prepaid any expenditures as of June 30, enter zero in line 8 in columns (a) and (d).

If you have prepaid items such as insurance premiums or rent as of June 30, enter the balance of the 240-Prepaid Expenses account for the current year, enter the balance on line 8 in debit column (a). Prepaid expenses will be adjusted to the correct June 30 balance in the adjusting entries.

Line 9: **Deposits** (250)
If you paid a deposit during the current fiscal year for utilities, etc., enter the deposit amount on line 9 in columns (a) and (d), **if material.** The amount entered here should not be included as an expenditure this year; remove it from the line item where it was charged. (Debit 240, Credit 802 and the line item originally charged.) If immaterial, enter zero on line 9 in debit columns (a) and (d).

If you paid a deposit in a prior year, enter the deposit amount on line 9 in debit columns (a) and (d), **if material**. Also record the amount as a prior period revenue adjustment. (Debit 240, Credit 402 and 6100 Prior Period Revenue Adjustments.) If immaterial, enter zero on line 9 in debit columns (a) and (d).

NOTE: **REPORTING FIXED ASSETS - Lines 10 - 13**
Report the balances using procedures discussed for proprietary funds 70-77.

Line 10: **Land and Land Improvements** (311-322)
Enter the total value of Land and Land Improvements from the records on line 10 in debit columns (a) and (d) for proprietary funds 70-77.

7-0530.00 **INSTRUCTIONS (Cont'd)**

Line 11: **Buildings and Building Improvements** (331-332)
Enter the total value of Buildings and Building Improvements from the records on line 11 in debit columns (a) and (d) for proprietary funds 70-77.

Line 12: **Machinery and Equipment** (341-342)
Enter the total value of Machinery and Equipment from the records on line 12 in debit columns (a) and (d) on proprietary funds 70-77.

Line 13: **Construction Work in Progress** (351)
Enter the total value of all Construction in Progress from the records on line 13 in debit columns (a) and (d) or enter the appropriate amounts in lines 10 through 12 in columns (a) and (d) for proprietary funds 70-77.

7-0530.00 INSTRUCTIONS (Cont'd)

Lines 14-19: Reserved

Line 20: Total Assets and Other Debits
Enter the total of lines 1 through 19 on line 20 in debit column (a).

Line 21: Payables to Other Funds (601-610)

Line 22: Due to Other Governments (611)
Enter the balance of these payable accounts on lines 21 and 22 in credit column (a). Balances may be zero if no accrual entries have been recorded for the year.
Adjustments to establish liabilities (payables) are discussed later in these instructions.

The amounts entered here must be payable as of June 30. If the balance of a payable account includes an amount recorded last year-end, remove the payable (Debit the payable account, Credit 1900 Miscellaneous Revenue, if immaterial, or 6100 Prior Period Revenue Adjustment, if material).

Line 23: Warrants Payable (620)
ON THE WORKSHEETS FOR PAYROLL FUND (86) AND CLAIMS FUND (87) ONLY, enter the total amount of warrants payable on line 23 in credit column (a) and (d). ON WORKSHEETS FOR ALL OTHER FUNDS, warrants payable are subtracted from cash and investments on line 1.

Line 24: Other Current Liabilities (621-679)
Enter the balance of these payable accounts on line 24 in credit column (a). Balance may be zero if no accrual entries have been recorded for the year. Adjustments to establish liabilities (payables) are discussed later in these instructions.

The amounts entered here must be payable as of June 30. If the balance of a payable account includes an amount recorded last year-end, remove the payable (Debit the payable account, Credit 1900 Miscellaneous Revenue, if immaterial, or 6100 Prior Period Revenue Adjustment, if material).

Adjustments to liabilities (payables) are discussed later in these instructions. Enter zero on line 24 in credit column (a).

Line 25: Deferred Revenue (680)
Deferred revenue will be determined using adjusting entries in a later section of these instructions. Enter zero on line 25 in credit column (a).

If there is a balance in the 680 account, determine the reason. If the balance is taxes receivable recorded last year, remove the deferred revenue and taxes receivable to reduce the balances to zero (Debit 680, Credit taxes receivable accounts). If the district records and adjusts taxes receivable accounts continually during the year, enter the balance of the 680 Deferred Revenue account on line 25, column (a).

Line 26: Other Liabilities (690-699)

7-0530.00 **INSTRUCTIONS (Cont'd)**

Enter the balance of these payable accounts on line 26 in credit column (a). Balance may be zero if no accrual entries have been recorded for the year. Adjustments to establish liabilities (payables) are discussed later in these instructions.

The amounts entered here must be payable as of June 30. If the balance of a payable account includes an amount recorded last year-end, remove the payable (Debit the payable account, Credit 1900 Miscellaneous Revenue, if immaterial, or 6100 Prior Period Revenue Adjustment, if material).

Adjustments to liabilities (payables) are discussed later in these instructions. Enter zero on line 24 in credit column (a).

Line 27: **Bonds Payable - Noncurrent** (710)

If the district has no bonds outstanding, ON WORKSHEETS FOR ALL FUNDS, enter zero on line 27 in credit column (a) and (d).

If the district has outstanding bonds, complete the Schedule of Changes in Long Term Liabilities instead of this worksheet. ON WORKSHEETS FOR ALL OTHER FUNDS, enter zero on line 27 in credit columns (a) and (d).

Lines 28-32: **Reserved**

Line 35: **Total Liabilities**

Enter the sum of lines 17 through 34 on line 35 in credit column (a).

Line 36: **Reserve for Inventories** (951)

Line 37: **Reserve for Encumbrances** (953)

The reserves for inventories and encumbrances will be established, if required, in the adjustments section of these instructions. Enter zero on lines 36 and 37 in column (a).

If there is a balance in these accounts, determine the reason. A reserve for encumbrances attributable to encumbrances for the prior year-end should be reversed if not paid (Debit 953, Credit 1900 Misc. Rev.). A reserve for encumbrances attributable to current year encumbrances is appropriate. Enter the balance on line 36 in credit column (a). A reserve for inventories attributable to inventory reported for the prior year-end should be reversed (To correct: Debit 951, Credit 220 or 230).

Line 38: **Reserve for Endowments** (954)

ON THE WORKSHEETS FOR THE ENDOWMENT FUND (81) AND PERMANENT FUND (45) ONLY, enter any balance of the endowment(s) held as non-expendable principal. (Optional) Enter only the expendable portion of fund balance on line 48. As an alternative, do not report a reserve for endowments and report the entire fund balance of that fund on line 48.

Line 39: **Reserve for Operations** (961)

The reserve for operations will be established in adjusting entries. Enter zero on line 39 in credit column (a).

Line 40: **Not used**

Line 41: **Reserve for Unused Protested Taxes** (963)

Line 42: **Reserve for Unused Tax Audit Receipts** (964)

Line 43: **Reserved**

7-0530.00 **INSTRUCTIONS (Cont'd)**

Line 44: **Reserved**

The reserves will be established for **General Fund (01) ONLY**, if appropriate, using an adjustment in a later section of these instructions. ON THE GENERAL FUND WORKSHEET, enter a zero on lines 40, 41, 42, and 43 in credit column (a) of the General Fund (01) worksheet.

Funds **other than the General Fund** do not have these reserves. ON WORKSHEETS FOR ALL OTHER FUNDS, enter a zero on lines 40, 41, 42, 43 and 44 in columns (a) and (d).

Line 45-47: **Not used**

Line 48: **Unreserved Fund Balance** (970)
On line 48 in credit column (a), enter the BEGINNING OF THE YEAR unreserved (reappropriated) fund balance for the fund from last year's Trustees' Financial Summary. **This is the beginning fund balance before adjustments and closing entries.**

Line 49: **Reserved**

Line 50: **Invested in Capital Assets** (921)
ON WORKSHEETS FOR PROPRIETARY FUNDS (70-77) ONLY, enter the balance of account 921. (rare)

Line 51: **Net Assets** (930-940)
If proprietary funds (70-77) are not used, enter zero on line 51 in credit columns (a) and (d) for all funds. If proprietary (70-77) funds are used, ON THE WORKSHEET FOR A PROPRIETARY FUND, enter the June 30 fund balance from last year's Trustees' Financial Summary on line 51 in credit column (a) . ON WORKSHEETS FOR ALL OTHER FUNDS, enter zero on line 51 in credit column (a).

Line 52: **Total Fund Balance/Equity**
Enter the sum of lines 36 through 51 on line 52 in credit column (a).

Line 53: **Total Liabilities and Fund Balance/Equity**
Enter the sum of Total Liabilities from line 35 plus Total Fund Balance/Equity from line 52 on line 53 in credit column (a). This amount must equal Total Assets and Other Debits on line 20 in debit column (a) for each fund.

Line 54: **Revenues and Other Financing Sources** (Rev. 1000-6100)
Enter the total of all revenue accounts of the fund before accruals or adjustments in credit column (a).

Line 55: **Expenditures and Other Financing Uses** (Exp. 100-920)
Enter the total of all expenditure object accounts of the fund before accruals, encumbrances, or adjustments, in debit column (a).

7-0530.00 INSTRUCTIONS (Cont'd)

Line 56: TOTAL DEBITS AND CREDITS

Enter the sum of debits from lines 20, 53, 54, and 55 on line 56 in debit column (a). Enter the sum of credits from lines 20, 53, 54, and 55 on line 56 in credit column (a). Debits must equal credits.

STEP 2. RECORD ADJUSTMENTS TO CONVERT FROM CASH BASIS TO ACCRUAL BASIS ACCOUNTING

The following adjustments will: A) Adjust receivables; B) Adjust liabilities (payables); C) Record encumbrances; D) Adjust prepaid expenses; E) Adjust inventories; and F) Adjust beginning fund balance for the first year conversion to GAAP.

Number each adjusting entry. Use the same number to identify the adjusting entry on the journal voucher system (SEE PAGE 7-0500-24) and the worksheet. Post adjustments to the worksheet on lines stated in the entries below. Some adjustments will not be posted to the worksheet. Retain the worksheet and journal vouchers with the district's copy of the Trustees' Financial Summary as support.

Several adjustments may affect the same line on the worksheet. Identify each separately in columns (b) and (c) for clarity.

A. Adjusting Entries for Receivables

1) Taxes Receivable

Funds: Levied funds

Determine the June 30 balance of taxes receivable for each fund for real, personal, and protested taxes. Report taxes receivable and deferred revenue. This information must be provided to you on the June county treasurer report. If not provided, enter "Not avail. from Co. Treas." on the lines for taxes receivable.

To record the adjustment for taxes receivable for each fund:

In the records:		On the worksheet:
Debit: 120-149	Taxes Receivable-Real and Personal	(Line 2,col.b)
Debit: 150-159	Taxes Receivable-Protested	(Line 3, col. b)
Credit: 680	Deferred Revenue	(Line 25, col. c)

2) School Foods Reimbursements

Funds: School Foods Fund (12) or (70)

Record this adjustment if the Federal reimbursement for months through June or the school food state match have not been received by June 30.

Calculate the amount of Federal reimbursement to be received for any claim through June for which reimbursement has not been received by June 30.

OPI will report to the district before June 30 the state match amount for June. Generally, the amount will be deposited to the district's fund at the county treasurer's office by June 30. If the money was not received by June 30, record the accrual adjustment shown below.

In the records:		On the worksheet:
Debit: 180	Due from Other Governments	(Line 5, col. b)
Credit: 402	Revenue (X12 or X70-4550 Federal Reimbursement or 3220 State Match)	(Line 54, col. c)

3) Federal and State Grants

7-0530.00 INSTRUCTIONS (Cont'd)

GAAP requires the district record grant revenues in the year the expenditures are recorded. This results in revenues equal to expenditures.

Funds: The following entries will be recorded most often in the Miscellaneous Programs Fund (15) but should be recorded in any fund in which expenditure driven state or Federal grants are deposited. Does not apply to entitlements such as, PL 81-874 or school foods reimbursements.

a. Determine the total cash receipts and expenditures recorded on the accounting records for **each** grant project for the fiscal year. Note that each year's project should be identified using a unique project reporter number. See suggested worksheets in Section 9 of the School Accounting Manual.

b. Calculate the difference between the amount recorded as revenue and expenditures.

c. **If revenues are greater than expenditures:**

Grant closes June 30; district must refund the unspent amount to the grantor:

Reduce current year grant revenue and record the payable or a refund to the grantor.

In the records:		On the worksheet:
If writing the refund warrant by June 30:		
Debit: 402	Revenue (reducing the grant revenue source account)	(Line 54, col. b)
Credit: 620/101 Warrants Payable or Cash		(Line 1, col. c)
If the refund warrant has not been written by June 30:		
Debit: 402	Revenue (reducing the grant revenue source account)	(Line 54, col. b)
Credit: 611	Due to Other Governments	(Line 22, col. c)

Grant does not close June 30; district is allowed to spend the money in the next fiscal year:

Reduce current year grant revenue and increase deferred revenue by the excess revenue amount.

In the records:		On the worksheet:
Debit: 402	Revenue (reducing the grant revenue source account)	(Line 54, col. b)
Credit: 680	Deferred Revenue	(Line 25, col. c)

d. **If expenditures were greater than revenues:**

If a reimbursement is expected from the grantor:

Record the difference as a receivable and current revenue.

In the records:		On the worksheet:
Debit: 180	Due From Other Governments	(Line 5, col. b)
Credit: 402	Revenue (appropriate grant revenue account)	(Line 54, col. c)

If grant is overspent, and district must reimburse the grant funds using General Fund money:

Move the excess expenditures against the General Fund.

In the records:	On the worksheet:
Fund where grant was recorded	

Debit: 101	Cash	(Line 1, col. b)
Credit: 802	Expenditures (reduce charges to line items where originally charged)	(Line 55, col. c)

General Fund (01)

Debit: 802	Expenditures (charge to appropriate line items)	(Line 55, col. b)
Credit: 101	Cash	(Line 1, col. c)

Notify the county treasurer that expenditures have been moved by journal voucher from the grant fund to the General Fund.

e. **Transfer Unused Tuition to General Fund (20-5-324, MCA):**

Reduce current year revenue for the unused portion and record the payable to the General Fund.

In the Miscellaneous Program Fund:		On the worksheet:
If writing transfer letter to county treasurer by June 30: Debit:		
402	Revenue (reducing the revenue source acct)	(Line 54, col. b)
Credit: 101	Cash	(Line 1, col. c)

If the transfer letter has not been written by June 30: Debit:

402	Revenue (reducing the revenue source acct)	(Line 54, col. b)
Credit: 606	Due to Other Funds	(Line 21, col. c)

In the General Fund:		On the worksheet:
If writing transfer letter to county treasurer by June 30:		
Debit: 101	Cash	(Line 1, col. b)
Credit: 402	Revenue (increasing the tuition revenue source account)	(Line 25, col. c)

If the transfer letter has not been written by June 30:

Debit: 170	Due From Other Funds	(Line 4, col. b)
Credit: 402	Revenue (increasing the tuition Revenue source account)	(Line 25, col. c)

4) Interest Receivable

Funds: Any fund which receives interest.

If the county treasurer or other holder of the district's investments reports an amount of interest earned but not deposited to the fund (or included in the total investment balance) by June 30, accrue the interest revenue and receivable, if material (generally, over $100).

In the records:		On the worksheet:
Debit: 114	Interest Receivable	(Line 1, col. b)
Credit: 402	Revenue (XXX-1510 Int Earnings)	(Line 54, col. c)

5) Tuition Receivable

Funds: General Fund (01).

Tuition owed to the district on June 30 but not yet received in cash should be recorded as a receivable and tuition revenue. Tuition is generally due in December and June. The amount to

accrue is the amount due to be paid to your district in June or before, regardless of the expenditure year used to calculate the tuition amount.

In the records:		On the worksheet:
Debit: 180	Due from Other Governments	(Line 5, col. b)
Credit: 402	Revenue (X01-1310, 1330, or 1330)	(Line 54, col. c)

6) Drivers' Education Reimbursement

Funds: Traffic Education Fund (218).

The estimated reimbursement to be received after June 30 (estimate $100 per student) should be recorded as a receivable and revenue. Contact OPI for estimated reimbursement per student.

In the records: On the worksheet:

Debit: 180 Due from Other Governments (Line 5, col. b) Credit: 402 Revenue (218-3260-Driver's Ed. Reimb.) (Line 54, col. c)

7) Direct State Aid (DSA) Receivable

Fund: General Fund (01)

The OPI DSA and Special Education revenue that is received by June 30 must be accrued.

In the records:		On the worksheet:
Debit: 180	Due From Other Governments	(Line 5, col. b)
Credit: 402	Revenue (X01-3110-Direct State Aid) (X01-3115 State Special Education Payment)	(Line 54, col. c)

8) County Transportation and County Retirement Receivable

Fund: Transportation Fund (10) and Retirement Fund (14)

Record any uncollected County Transportation or Retirement as deferred revenue, **if material**. Compare the budgeted aid to actual collections.

In the records:		On the worksheet:
Debit: 180	Due From Other Governments	(Line 5, col. b)
Credit: 402	Revenue (X10-2220 or X14-2240)	(Line 54, col. c)

9) Other Government Payments Receivable

Funds: Any fund which receives money from another district or government unit.

Other income receivable at June 30 from any governmental source, such as another district, the state, the county, or a state agency such as OPI, should be adjusted as described in (7). Grant revenues should be adjusted as shown in (3).

B. Adjusting Entries to Establish Liabilities (Payables)

1) Salaries and Benefits

Funds: Any fund which pays employees. If you have paid all salaries and benefits for work performed through June 30, no adjustment is needed.

Amounts owed for salaries and benefits for work performed by June 30 should be recorded as a payable and expenditure. For example, if you will pay teachers in July and August for the current school year, you should record an accrual for the salaries and benefits owed. If June salaries and benefits for year-round employees will be paid in July, also accrue that amount. If negotiations have not been settled by June 30th, accrue the Board's last offer.

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-XXX-XXXX-1XX Salaries or 2XX Benefits)	(Line 55, col. b)

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Credit: 661 Salaries and Benefits Payable (Line 24, col. c)

Include salaries, health insurance, TRS, PERS, etc. (Do not include accumulated sick leave or vacation leave compensation in this amount.)

2) Goods and Services Received by June 30

Fund: Any fund which purchases goods and services. If a warrant was issued by June 30 for goods or services received by June 30, no accrual adjustment is needed.

Costs of goods and services received by June 30 for which the district had not paid by June 30, such as supplies, textbooks, equipment, cleaning and repair services, June utilities, June phone bills, and any other unpaid invoices, should be recorded as a payable and expenditure.

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-XXX-XXXX-XXX Any appropriate object)	(Line 55, col. b)
Credit: 621	Accounts Payable	(Line 24, col. c)

3) Workers' Compensation Premiums

Funds: Any fund which pays workers' compensation. If the district pays the obligation by June 30, no adjusting entry is needed.

Determine the amount of premiums owed as of June 30. Contact the State Fund or WCRRP to determine the amount owed. Record prepayments for the next fiscal year as a prepaid expense as discussed in Step 8D below.

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-XXX-XXXX-250 Workers' Comp.)	(Line 55, col. b)
Credit: 661	Salaries and Benefits Payable	(Line 24, col. c)

4) Payments on Long-Term Debt

Funds: Debt Service Fund (50) or other fund used to pay bond payments or long-term notes. If no bonds or long-term notes are outstanding, this adjustment is not needed.

If the district has accumulated resources necessary for a debt payment due early in the next fiscal year, the payment (principal and interest) **may** be charged as an expenditure of the current year (be sure you have debt service budget authority). The payment **may** be charged when paid in the next year, if desired. The payments must be given consistent treatment each year (i.e. if charged to this year for a July payment, must charge to next year for the next July's payment).

In the records:		On the worksheet:
Debit: 802	Expenditures (X50-XXX-XXXX-8XX Principal, Interest, etc.)	(Line 55, col. b)
Credit: 641	Bonds Payable-Current	(Line 24, col. c)

5) Credit Card Charges

Funds: Any fund which pays for goods and services. If goods and services received by June 30 are paid for by June 30, no accrual is needed.

Amounts owed on credit cards for goods and services received by June 30 should be recorded as payables and expenditures.

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-XXX-XXXX-XXX Any appropriate object)	(Line 55, col. b) Credit:
621	Accounts Payable	(Line 24, col. c) **6) Tuition Payable**

Funds: Tuition Fund (13). If tuition owed in June is paid by June 30, this adjustment is not needed.

Tuition owed to another district on June 30 should be recorded as a payable and expenditure.

In the records:		On the worksheet:
Debit: 802	Expenditure (X13-XXX-XXXX-5XX Tuition)	(Line 55, col.b)
Credit: 611	Due to Other Governments	(Line 22, col. c)

7) Special Education Reversion

Fund: General Fund (01)

Special education block grants and the required match must be spent by June 30. The unspent and unmatched block grant amounts will be "reverted" in the next year by reducing the special education allowable cost payment for that year. It therefore becomes part of next year's revenue. Use the worksheet included with the Trustees' Financial Summary to calculate the amount of reversion. Record the reversion calculated as a reduction of 3115 State Special Education Allowable Costs and as deferred revenue.

In the records:		On the worksheet;
Debit: 402	Revenue (X01-3115 State Special Education Payment)	(Line 54, col. b)
Credit: 680	Deferred Revenue	(Line 25, col.c)

(**Note**: In the next fiscal year when the monthly payment is reduced by the reversion, debit the deferred revenue account and credit 402/3115 State Special Education.)

8) Refunds Due to the Grantor

Funds: Any fund used to account for Federal or state grant money. If a necessary refund is issued to a grantor by June 30, no accrual is needed.

Amounts due to be refunded to grantors on June 30 for current year projects should be recorded as a payable and reduction of current year grant revenue.

In the records:		On the worksheet:
Debit: 402	Revenue (XXX-XXXX-XXX revenue source and project reporter used to record receipt of grant money)	(Line 54, col. b)
Credit: 611	Due to Other Governments	(Line 22, col. c)

C. Adjusting Entries to Record Encumbrances (Optional)

Funds: Any fund which purchases goods or pays for construction.

Districts may encumber the cost of:

- **goods** for which a purchase order was processed by June 30; and
- **construction** for which a valid contract was signed and effective by June 30.

Districts may chose whether to encumber none, some, or all of the items that meet the criteria for encumbrance. (Note: If goods were received or services on the construction contract were performed by June 30, costs MUST be accrued as shown in step 2.)

In the records:		On the worksheet:
Debit: 803	Encumbrances (encumber line item of budget)	no entry
Credit: 953	Reserve for Encumbrance	(Line 37, col. c)

(This entry may have been made during the year or at year-end.)

Debit: 802	Expenditure (XXX-XXX-XXXX-XXX

	any appropriate line item)	(Line 55, col. b)
Credit: 803	Encumbrances	no entry

(Record this entry at year-end to charge the encumbrance as an expenditure.)

D. Adjusting Entries to Prepaid Expenses

Funds: Usually General Fund (01), or any fund which prepays insurance premiums or rent. If there is a significant amount of unexpired insurance, rent, etc., on June 30, the prepaid expenses account must be established or adjusted.

If there was a balance in 240-Prepaid Expenses on June 30, it was entered on line 8 in debit column (a). The following adjustment assumes when you prepaid expenses, you recorded the payment as an asset using the 240 account. Determine what amount prepaid has not expired on June 30. Subtract the unexpired amount from the balance of the Prepaid Expenses column.
Record the difference is an expenditure of this year.

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-XXX-XXXX-XXX any appropriate line item)	(Line 55, col. b)
Credit: 240	Prepaid Expenses	(Line 8, column c)

If there was a zero balance in 240-Prepaid Expenses on June 30, the district recorded the entire prepayment as an expenditure when paid in the current year. Determine the amount of prepayment unexpired on June 30. Record the unexpired prepayment using the 240 account, and reduce the expenditure for the unexpired amount.

In the records:		On the worksheet;
Debit: 240	Prepaid Expenses	(Line 8, col. b)
Credit: 802	Expenditures (XXX-XXX-XXXX-XXX the expenditure line item originally charged when prepaid)	(Line 55, col. c)

E. Adjusting Entries for Inventories

Funds: Any fund which purchases supplies. If the value of supplies on hand at June 30 is immaterial to the fund (for example, less than 10% of total assets of the fund), this adjustment is not needed.

If the district has significant supply inventories on hand at June 30, the value of the supplies on hand must be recorded as inventory (asset) and a reserve of fund balance.

In the records:		On the worksheet:
Debit: 220 or 230	Inventories for Consumption (supplies) or Inventories for Resale	(Line 7, col. b)
Credit: 951	Reserve for Inventories	(Line 36, col. c)

F. Adjustments to Beginning Fund Balance

Funds: Funds which incur revenues and expenditures

Revenue applicable to the prior year which was not accrued last year-end in accordance with GAAP was recorded as revenue in the current year when received. Revenue for the prior year was therefore understated by the revenue amount. Revenue was overstated in this year by that amount. Because revenues increase fund balance in the year recorded, the beginning fund balance of the current year was understated by not recording the accrual. If the amount of the revenue was small, the misstatement was not large enough to cause someone interpreting the fund balance and revenues to be seriously misled. If the amount was large, the results could be misleading.

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Therefore, only large, or "material" accruals not recorded in accordance with GAAP in the prior fiscal year require adjustment.

The same idea is true for expenditures. If material expenditures for the prior year were not accrued in accordance with GAAP, an adjustment will be required to correct the beginning fund balance and current year expenditure balances.

OPI suggests revenue or expenditure items which are 5% or more of current year revenues or expenditures of the fund should be considered "material." (**Note:** This percentage is suggested, but not mandated, by OPI. Auditors may prefer a different percentage; contact your auditor if you have questions.)

Review revenues and expenditures recorded in July, August and September of the current year. If a material revenue was measurable and available last year, record an adjustment as directed below. If a material expenditure was paid this year for goods and services received during the prior year, record and adjustment as directed below.

If the district recorded revenue this year which was measurable and available in the prior fiscal year:

In the records:		On the worksheet:
Debit: 402	Revenue (XXX-XXXX revenue acct used to record receipt in current year)	no entry Credit:
402	Revenue (XXX-6100 Prior Period Revenue Adjustment)	no entry

This entry abates current revenue and records it as a prior year revenue, which would have increased beginning fund balance if recorded last year in accordance with GAAP.

If the district recorded expenditures this year for goods/services received in the prior year:

In the records:		On the worksheet:
Debit: 802	Expenditures (XXX-999-9999-892 Prior Year Expenditure Adjustments)	no entry Credit: 802
Expenditures (XXX-XXX-XXX-XXX exp	line item used to record the expenditure when paid during the current year)	no entry

This entry abates a current expenditure and records it as a prior year expenditure adjustment, which would have decreased beginning fund balance if recorded last year in accordance with GAAP. (**NOTE:** This entry does not restore budget authority, since the amount charged to 892 must be within the current year's budget caps.)

STEP 3. CLOSING THE BOOKS FOR THE FISCAL YEAR

The following adjustments will: A) Close revenues to record the increase of fund balance/equity; and B) Close expenditures to record the decrease of fund balance/equity.

A. Close Revenues into Fund Balance/Equity

Funds: All funds which receive revenue

Determine the total balance in revenue and other financing sources accounts (1000-6100) for the fund, including accruals recorded in adjusting entries. Close the total into fund balance/equity.

In the records:	On the worksheet:

7-0530.00 INSTRUCTIONS (Cont'd)

Debit: 402	Revenue (do not debit subsidiary accts)	(Line 54, col. b)
Credit: 970 or 940	Unreserved Fund Balance (governmental funds) or Unresestricted Net Assets (proprietary funds 70-77)	(Line 48 or 51, col. c)

B. Close Expenditures into Fund Balance/Equity

Funds: All funds which incur expenditures

Determine the total of expenditure and other financing uses accounts (100-920) for the fund, including accruals and encumbrances recorded in adjusting entries. Subtract the total from fund balance/equity.

In the records:		On the worksheet:
Debit: 970 or 940	Unreserved Fund Balance (governmental funds) or Unreserved Restricted Net Assets (proprietary funds 70-77)	(Line 48 or 51, col. b)
Credit: 802	Expenditures	(Line 55, col. c)

STEP 4. ESTABLISH RESERVE ACCOUNTS

The following adjustments will: A) Record operating reserves; and B) Record special General Fund reserves.

A. Record Operating Reserves

Funds: General Fund (01), Transportation (10), Tuition (13), Retirement (14), Adult Ed (17), Debt Services (50)

Determine what amounts will be set aside as operating reserves. Refer to legal limitations listed under account 961-Operating Reserves on page 3-0400-11 of the School Accounting Manual.

In the records:		On the worksheet:
Debit: 970	Unreserved Fund Balance (governmental funds) or Unrestricted Net Assets (proprietary funds 70-77)	(Line 48 or 51, col. b)
Credit: 961	Reserve for Operations	(Line 39, col. c)

B. Record Special General Fund Reserves (Optional)

Fund: General Fund (01)

Determine what amounts, if any, will be set aside as reserves for protested taxes and tax audit receipts.

In the records:		On the worksheet:
Debit: 970	Unreserved Fund Balance	(Line 48 or 51, col. b)
Credit: 963	Reserve for Unused Protested Taxes	(Line 41, col. c)
Credit: 964	Res. for Unused Tax Audit Receipts	(Line 42, col. c)

STEP 5. CALCULATE POST-CLOSING BALANCE SHEET ACCOUNT BALANCES

A. Completing the Worksheet

After all adjustments have been posted to the worksheet for a fund, sum the columns (a) through (c) from left to right. Notice that lines 1 through 19 **add** (b) and **subtract** (c) to calculate column (d). Lines 21 through 34 **subtract** (b) and **add** (c) to calculate (d). Enter the totals in the PostClosing Balance column (d).

Make sure line 20, total Assets and Other Debits equals line 53, Total Liabilities and Fund Balance/Equity for each fund. Line 54 Revenue and line 55 Expenditures must have post-closing blanaces of zero in column (d).

B. Completing the Schedule of Changes in Long-Term Liabilities (SCLTL) and Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets (SCFA)

Line 14: Amount Available in the Debt Service and Sick Leave Reserve Funds (403) ON THE WORKSHEET FOR THE SCFA, enter the sum of the total fund balances (line 52) of the Debt Service Fund (50) and the Sick Leave Reserve Fund (21) on line 14 in column (d). If you have already entered a balance on line 14, make sure the balance agrees to the total sum of the balances of the 50 and 21 funds.

Line 15: Amounts to be Provided (404 - 406)

ON THE WORKSHEET FOR THE SCLTL, enter the sum of line 26 through 31, column (d). If you have already entered an amount on line 15, column (d), make sure it agrees to the total of those lines.

Make sure line 20, total Assets and Other Debits equals line 53, total Liabilities and fund Balance/Equity for the GLTDAG (99).

STEP 6. RECORD INFORMATION FROM THE WORKSHEET AND ACCOUNTING RECORDS TO THE TRUSTEES' FINANCIAL SUMMARY

Balance Sheet

Follow instructions for the Balance Sheet on page 3 of the Trustees' Financial Summary Instructions. enter totals from column (d) of each fund's worksheet on corresponding lines of the balance sheet. A **net credit balance in column (d) on lines 1 through 20** should be entered as a negative amount on the Balance Sheet. A **net debit in column (d) on lines 21 through 55** should be entered as a negative balance on the Balance Sheet.

Do not enter amounts from lines 54, 55 and 56 on any form of the Trustees' Financial Summary. Those lines were used for worksheet purposes only.

Other Forms

Follow instruction for the Trustees' Financial Summary.

BUDGET NOTE: The total of lines 39 through 48 should be entered on the budget form as Fund Blanace for Budget and then reported as reserved or Unreserved Fund Balance.

7-0540.00 CASH TO ACCRUAL WORKSHEET - Double Entry Accounting Systems

FY _____ District _____

See instructions attached. Fund Name/No. _____

	ACCOUNT NAME	ACCT NO.	PRE-CLOSING TRIAL BALANCE (a)		YEAR END ADJUSTMENTS AND CLOSING TRANSACTIONS (b)	(c)	POST-CLOSING BALANCE (a) +/- (b) +/- (c) = (d)	
	ASSETS AND OTHER DEBITS		Debit	Credit	Debit	Credit	Debit	Credit
01	Cash and Investments less Warrants Payable	101-119 620						
02	Taxes Receivable - Real and Personal	120-149						
03	Taxes Receivable - Protested - Net	150-159						
04	Receivables From Other Funds	160-179						
05	Due From Other Governments	180						
06	Other Current Assets	190-210						
07	Inventories	220-230						
08	Prepaid Expenses	240						
09	Deposits	250						
10	Land and Land Improvements	311-322						
11	Buildings and Improvements	331-332						
12	Machinery and Equipment	341-342						
13	Construction Work in Progress	351						
14	Reserved							
15	Reserved							
20	TOTAL ASSETS AND OTHER DEBITS							
	LIABILITIES							
21	Payable to Other Funds	601-610						
22	Due To Other Governments	611						
23	Warrants Payable (Fund 86 & 87 only)	620						
24	Other Current Liabilities	621-679						
25	Deferred Revenue	680						
26	Other Liabilities	690-699						
27	Reserved							
28	Notes Payable - Noncurrent	720						
29	Lease Obligation Payable	730						
30	Contracts and Judgements Payble	740-750						
31	Compensated Absences Payble	760						
35	TOTAL LIABILITIES							

7-0540.00 CASH TO ACCRUAL WORKSHEET - Double Entry Accounting Systems

	FUND BALANCE/EQUITY							
36	Reserve for Inventories	951						
37	Reserve for Encumbrances	953						
38	Reserve for Endowments (Fund 81 only)	954						
39	Reserve for Operations	961						
40	Not Used							
41	Reserve for Unused Protested Taxes	963						
42	Reserve for Unused Tax Audit Receipts	964						
43	Reserved							
48	Unreserved Fund Balance June 30th	970						
49	Investments in General Fixed Assets	910-918						
50	**Investment in Assets**	921						
51	Net Assets	930-940						
52	TOTAL FUND BALANCE/EQUITY (6/30/____)							
53	TOTAL LIABILITIES AND FUND BALANCE/EQUITY							
54	Revenue/Other Financing Sources (Rev 1000 - 6100)							
55	Expenditures/Other Financing Uses (Exp 100 - 940)							
56	TOTAL DEBITS AND CREDITS							

FY _____ District _____

See instructions attached. Fund Name/No. _____

	ACCOUNT NAME	ACCT NO.	PRE-CLOSING TRIAL BALANCE (a)		YEAR END ADJUSTMENTS AND CLOSING TRANSACTIONS (b)	(c)	POST-CLOSING BALANCE (a) +/- (b) +/- (c) = (d)	
	ASSETS AND OTHER DEBITS		Debit	Credit	Debit	Credit	Debit	Credit

7-0540.00 CASH TO ACCRUAL WORKSHEET - Double Entry Accounting Systems

	LIABILITIES							
	FUND BALANCE/EQUITY							

FY _____ District _____ See instructions attached. Fund Name/No. _____

	ACCOUNT NAME	ACCT NO.	PRE-CLOSING TRIAL BALANCE (a)	YEAR END ADJUSTMENTS AND CLOSING TRANSACTIONS (b) (c)	POST-CLOSING BALANCE (a) +/- (b) +/- (c) = (d)

7-0540.00 CASH TO ACCRUAL WORKSHEET - Double Entry Accounting Systems

	ASSETS AND OTHER DEBITS		Debit	Credit	Debit	Credit	Debit	Credit
01	Cash and Investments less Warrants Payable	101-119 620						
02	Taxes Receivable - Real and Personal	120-149						
03	Taxes Receivable - Protested - Net	150-159						
04	Receivables From Other Funds	160-179						
05	Due From Other Governments	180						
06	Other Current Assets	190-210						
07	Inventories	220-230						
08	Prepaid Expenses	240						
09	Deposits	250						
20	TOTAL ASSETS AND OTHER DEBITS							
	LIABILITIES							
21	Payable to Other Funds	601-610						
22	Due To Other Governments	611						
23	Warrants Payable (Fund 86 & 87 only)	620						
24	Other Current Liabilities	621-679						
25	Deferred Revenue	680						
26	Other Liabilities	690-699						
35	TOTAL LIABILITIES							
	FUND BALANCE/EQUITY							
36	Reserve for Inventories	951						
37	Reserve for Encumbrances	953						
38	Reserve for Endowments (Fund 81 only)	954						
39	Reserve for Operations	961						
48	Unreserved Fund Balance June 30th	970						

7-0540.00 CASH TO ACCRUAL WORKSHEET - Double Entry Accounting Systems

52	TOTAL FUND BALANCE/EQUITY (6/30/____)						
53	TOTAL LIABILITIES AND FUND BALANCE/EQUITY						
55	Expenditures/Other Financing Uses (Exp 100 - 940)						
56	TOTAL DEBITS AND CREDITS						

7-0550.00 JOURNAL VOUCHER **JV #** _____

School District _____ **Page** _____ **of** _____

				DEBIT		CREDIT	
Date	Account Number	Account Name/Explanation	PR	General Ledger	Subsidiary Ledger	General	Subsidiary Ledger

Entitlement and payment adjustments appear on OPI's monthly payment reports (sometimes called "advices") sent to school districts and county superintendents. This section explains the accounting entries for each adjustment type.

Adjustment types are listed in Section 8-0300.20 and explained in 8-0300.30.

ENTITLEMENT ADJUSTMENTS

"Entitlement Adjustments" affect the total amount, or entitlement, the district is eligible to receive in a fiscal year. The OPI payment report lists an Entitlement Adjustment directly following the entitlement. If the entitlement was recalculated for reasons of current year changes in enrollment, etc., the adjusted entitlement is shown as " ***** ENTITLEMENT." That means the entitlement has been recalculated and was changed based on a letter of explanation. Sometimes, instead of calculating a new entitlement amount, OPI shows the entitlement adjustment on a separate line and leaves the entitlement as originally calculated. Adjustments to the entitlements can be either positive or negative.

PAYMENT ADJUSTMENTS

"Payment Adjustments" affect either the amount or timing of a payment. Payment adjustment types are used to report payments made at times other than the normal monthly payments, advances, and corrections of payments.

An adjustment may not always affect the amount of the current month's cash payment. It may instead require a reclassification of dollars received by the district in earlier payments. For example, an adjustment for the state's overpayment of GTB may use the amount overpaid to the district for GTB to instead satisfy a portion of the DSA entitlement owed to the district.

An adjustment may affect the current year's payments or a previous year's payments. For example, an audit of the last year's enrollment may cause adjustments of the current year DSA and GTB. If an audit finds enrollment errors from 2 years previous, then the adjustments would be prior year adjustments (i.e., adjustments to correct the prior year's payments). Prior year adjustments may therefore either reduce or increase cash payments in the current year, but the amounts of the reductions or additions are applicable to the prior year.

Sometimes OPI must make adjustments at mid-month, between monthly payments. One example is a DSA advance for a district with a severe cash shortage. OPI shows an adjustment to add the mid-month payment to the appropriate paid-to-date balance so it is accurately reflected in the remainder of the year's reports.

Adjustments may occur in any month and may affect any revenue type included in the monthly payment (DSA, GTB, school block grants, etc.). However, some types of adjustments commonly occur in certain months each year. Special education reversions are usually entered in January. Adjustments for additional state aid for enrollment increases (budget amendments) usually begin the month following OPI's receipt of the district's budget amendment resolution. Most GTB adjustments are made in May. Adjustments to correct errors are usually made in the month an error is discovered. Adjustments may be made in one month or over several months.

8-0300.10 BASIC INFORMATION ABOUT ADJUSTMENTS (Cont'd)

When the adjustment involves a significant refund to OPI, the cash payments withheld for one or more months may result in a net cash payment of zero. Even when a cash payment is zero, accounting entries

may be necessary to correct the district records for the adjustment. Section 8-0300.30 contains examples of such entries.

8-0300.20 ADJUSTMENT TYPES

The OPI monthly payment advice will identify one of the following adjustment types:

TYPE 01	Entitlement Adjustment of DSA for Unusual Enrollment Increase
TYPE 02	Entitlement Adjustment for GFGTB Due to Lower Actual Mills Levied by County
TYPE 03	Entitlement Adjustment of GFGTB Due to Prior Year Over Expenditure of Budget
TYPE 04	Entitlement Adjustment Resulting in Overpayment
TYPE 05	Entitlement Adjustment of DSA Reimbursement for Tuition Paid
TYPE 21	Advance Outside the Payment Program
TYPE 22	Advance Within the Payment Program
TYPE 31	Payment Adjustment to Reduce Payment by Amount Already Paid in Advance
TYPE 32	Regular Payment Within the Payment System Not Paid on Payment Schedule
TYPE 33	Payment Adjustment Due to Overpayment in Another Revenue Source
TYPE 34	Payment Adjustment Outside the Payment Program
TYPE 35	Current Year Payment Returned to OPI
TYPE 36	Regular Payment Outside the Payment Program
TYPE 41	Prior Year Payment Adjustment Due to Audit Change in ANB
TYPE 42	Prior Year Payment Adjustment Due to Change in Excess Reserves
TYPE 43	Prior Year Payment Adjustment Due to Reversion
TYPE 44	Prior Year Payment Returned to OPI

8-0300.30 RECORDING ADJUSTMENTS

The following accounting entries assume that the clerk posts revenues to the accounting records after receiving the county treasurer's monthly report. The clerk will need the monthly county treasurer's report, OPI's adjustment explanation letter, and the OPI monthly payment report to record necessary adjustments.

8-0300.30 RECORDING ADJUSTMENTS (Cont'd)

TYPE 01 Entitlement Adjustment of DSA for Unusual Enrollment Increase

OPI pays additional Direct State Aid (DSA) for budget amendments for enrollment increases in the current year.

The first month, OPI pays the amount owed for previous months of the fiscal year to "catch up." Each subsequent month, OPI pays the original monthly payment plus a portion of the additional DSA for the enrollment increase. The monthly payment of the additional DSA is equal to the total increase, divided equally into the number of payments remaining in the fiscal year (usually 1/10 is paid each month).

Accounting entry:

Example: Original DSA payment is $40,000 per month. The adjustment increases the DSA for the year by $10,000. The adjustment is entered in January, which is the 5th payment for the year. The January payment includes the original monthly DSA payment ($40,000) and the "catch-up" adjustment though the 5th month ($10,000 divided by 10 monthly payments, times 5 = $5,000). Subsequent payments include the original amount plus the remaining balance of the increase divided equally by the 5 monthly payments remaining in the fiscal year ($10,000 - $5,000, divided by 5 = $1,000). [NOTE: DSA is not paid in November or May.]

January – General Ledger	
Debit: X01-101 Cash	$45,000
Credit: X01-402 Revenue Control	$45,000
Revenue Subsidiary Ledger	
Credit: X01-3110 Direct State Aid	$45,000

February and Subsequent Months – General Ledger	
Debit: X01-101 Cash	$41,000
Credit: X01-402 Revenue Control	$41,000
Revenue Subsidiary Ledger	
Credit: X01-3110 Direct State Aid	$41,000

TYPE 02 Entitlement Adjustment of GFGTB Due to Lower Actual Mills Levied by County

OPI pays GTB *on the lesser of* the number of BASE mills calculated on the budget or mills actually levied. When mills calculated on the district's General Fund budget differ from mills actually levied by the county, the GTB calculated on the budget may be overstated. OPI adjusts the GTB entitlement to avoid an overpayment. This type of adjustment affects only the GTB entitlement. Receipt of payments can be recorded as usual.

Accounting entry:

Adjust the revenue budget for the 3120 GTB line item only.

TYPE 03 Entitlement Adjustment of GFGTB Due to Prior Year Over Expenditure of Budget

A district that overdrafts the general fund budget will commonly have less to reappropriate and will consequently have to raise BASE mills for the following year. By raising the number of BASE mills, a GTB-eligible district claims additional GTB on the increased mills. When OPI discovers a general fund

budget overdraft has occurred, OPI recalculates the budget assuming the overdraft had not occurred, compares the recalculated GTB payment with the GTB amount claimed on the budget, and corrects the GTB to avoid an overpayment. This type of adjustment is made early in the fiscal year and affects only the GTB entitlement.
Receipt of payments can be recorded as usual.

Accounting entry:
Adjust the revenue budget for the 3120 GTB line item only.

TYPE 04 Entitlement Adjustment Resulting in Overpayment

Occasionally, a district is overpaid. A Type 04 adjustment decreases the entitlement amount for the amount overpaid. A Type 04 adjustment is often accompanied by Type 33 and Type 34 adjustments, which reduce the overpaid revenue and increase another revenue type's paid-to-date balance to reclassify the cash previously received. It could instead be accompanied by a Type 35 adjustment to reflect a refund.

Accounting entry:
Adjust the revenue line item budgets as necessary. See accounting entry for Type 33 or Type 35.

TYPE 05 Entitlement Adjustment of DSA Reimbursement for Tuition Paid

This adjustment creates an entitlement for an ANB/DSA reimbursement for resident students for whom the district paid tuition for attendance out-of-state or attendance at a private, non-sectarian day treatment program (claimed on form FP-15). This payment must be deposited into the district's tuition fund.

Accounting entry:

General Ledger - Tuition Fund (13):
Debit: X13-101 Cash (cash payment amount)
Credit: X13-402 Revenue Control (cash payment amount)
Revenue Subsidiary Ledger
Credit: X13-3110 Direct State Aid (ANB reimbursement) (cash payment amount)
(NOTE: The DSA revenue code is used for this payment in the tuition fund.)

TYPE 21 Advance Outside the Payment Program

This adjustment documents an advance that OPI paid the district between regular monthly payments. It is necessary to add the payment to the balance paid-to-date.

Accounting entry:

Example - Assume OPI sent a mid-month advance payment of DSA $50,000 and the regular monthly payment is DSA $60,000 and State Special Education funding $20,000. The district clerk is recording the receipt of both the mid-month advance payment and the regular monthly payment using the OPI payment advice.

General Ledger

Debit: X01-101 Cash $130,000 ($80,000 + $50,000 rec'd mid-month) Credit: X01-402 Revenue Control $130,000
Revenue Subsidiary Ledger
Credit: X01-3110 Direct State Aid $110,000
Credit: X01-3115 State Spec Ed $ 20,000
(NOTE: Credit the appropriate revenue accounts.)

TYPE 22 Advance Within the Payment Program

This adjustment documents an advance that OPI pays the district along with a regular monthly payment.

Accounting entry:

Example - Assume OPI included an advance payment of DSA $50,000 with the regular monthly payment of DSA $60,000 and State Special Education funding $20,000. The district clerk is recording the receipt of both the advance payment and the regular monthly payment using the OPI payment advice.

General Ledger
Debit: X01-101 Cash $130,000 (this month's cash payment)
Credit: X01-402 Revenue Control $130,000
Revenue Subsidiary Ledger
Credit: X01-3110 Direct State Aid $110,000
Credit: X01-3115 State Spec Ed $ 20,000
(NOTE: Credit the appropriate revenue accounts.)

TYPE 31 Payment Adjustment to Reduce Payment Amount by Amount Already Paid in Advance

This adjustment appears on the regular monthly payment advice to document that the current payment is being reduced by the amount OPI previously advanced.

Accounting entry: No entry is necessary.

TYPE 32 Regular Payment Within the Payment System Not Paid on Payment Schedule

This adjustment occurs when a payment after the normal month of payment. The most common case is GTB paid in December (or June), after the normal November (or May) GTB payment.

Accounting entry:

Example - Assume OPI owed the district additional GTB of $8,000 which was not paid in May. Since the regular GTB payments have passed, OPI pays the amount as an adjustment in June. The regular June monthly payment is DSA $60,000 and State Special Education Funding $20,000.

General Ledger
Debit: X01-101 Cash $88,000
Credit: X01-402 Revenue Control $88,000 Revenue Subsidiary Ledger

Credit: X01-3110 Direct State Aid $60,000
Credit: X01-3115 State Spec Ed $20,000
Credit: X01-3120 GTB $ 8,000

(Note: Type 32 adjustments are almost always GTB. If the adjustment affects a different type of revenue, use another appropriate revenue code in place of 3120.)

TYPE 33 Payment Adjustment Due to Overpayment in Another Revenue Source

Occasionally, a district's eligibility changes after payments were already made, resulting in an overpayment. OPI will reduce the current cash payment under another revenue type to recoup the overpayment. The amount paid-to-date under one revenue type is reduced to reflect the reclassification of that overpayment to satisfy the state's payment under a different revenue type.

A Type 33 adjustment increases another revenue type's balance paid-to-date to reclassify the revenue. It is always accompanied by a Type 04 adjustment to decrease the entitlement amount and a Type 34 adjustment to decrease the corresponding overpaid revenue paid-to-date amount.

Accounting entries to record a Type 33 and Type 34 adjustment:

Example 1: Reduction of Cash Payment
In June, OPI discovers that an ANB overstatement resulted in a GTB overpayment of $1000 in the combined November and May payments. The district normally would receive DSA of $60,000 and State Special Ed Funding of $20,000 each month. In June, OPI reduces the total regular monthly payment by the overpayment amount.

General Ledger
Debit: X01-101 Cash $79,000
Credit: X01-402 Revenue Control $79,000
Revenue Subsidiary Ledger
Debit: X01-3120 GTB (reduction) $ 1,000
Credit: X01-3110 Direct State Aid $60,000
Credit: X01-3115 State Spec Ed $20,000

Example 2: Net Cash Payment Equals Zero
Sometimes there is not enough cash being paid in the month to recoup the overpayment. In that case, the cash payment is reduced to zero and the remaining overpayment will be reduced from the next month's payment, or OPI may request a refund. Assume in the example above, the GTB overpayment was $90,000.

Accounting Entry in month 1:

General Ledger
Debit: X01-101 Cash $0
Credit: X01-402 Revenue Control $0
Revenue Subsidiary Ledger
Debit: X01-3120 GTB (reduction) $80,000
Credit: X01-3110 Direct State Aid $60,000
Credit: X01-3115 State Spec Ed $20,000

(NOTE: Debit and credit appropriate revenue accounts.)

The remaining overpayment would be recouped from the payments in the following month(s).

TYPE 34 Payment Adjustment Outside the Payment Program

This adjustment type is used to reflect a reduction of the amount paid-to-date. Usually, correction between revenue line items is done by the county treasurer.

TYPE 35 Current Year Payment Returned to OPI

This adjustment records a district's refund to OPI to correct a current year overpayment. It decreases the balance paid-to-date of that revenue type by the amount of the refund. If withholding the district's remaining payments is not adequate to correct the error in the current year, OPI may require a cash refund.

Accounting entry:

Example - Assume the district's DSA entitlement was reduced by $75,000. The error was discovered in June, so the balance of remaining district DSA payments, $23,000, was too small to totally correct the overpayment by withholding. OPI withheld the remaining payment of $23,000 and requested a refund of the difference, $52,000, which the district sent by warrant.

Accounting entry at the time the refund warrant is written:

General Ledger
Debit: X01-402 Revenue Control $52,000
Credit: X01-101 Cash or 101-621 Warrants Payable $52,000 Revenue Subsidiary Ledger
Debit: X01-3110 Direct State Aid (reduction) $52,000

To record the adjustment when the payment advice is received:
No entry needed. Make sure the refund appears on the payment advice as an adjustment of the balance paid-to-date.

TYPE 36 Regular Payment Outside the Payment Program

This adjustment records a payment OPI previously made mid-month, between normal monthly payments. It adds the mid-month adjustment to the balance paid-to-date.

Accounting entry:

Example - Assume OPI paid the district additional GTB of $8,000 in the middle of the last month. The regular monthly payment is DSA $60,000 and State Special Education Funding $20,000. The clerk is recording the receipt of the cash in the current payment and the previous receipt of the mid-month cash payment.

General Ledger
Debit: X01-101 Cash $88,000 (mid-month cash adjustment and this month's cash payment)
Credit: X01-402 Revenue Control $88,000
Revenue Subsidiary Ledger
Credit: X01-3110 Direct State Aid $60,000

Credit: X01-3115 State Spec Ed $20,000
Credit: X01-3120 GTB $ 8,000

TYPE 41 Prior Year Payment Adjustment Due to Audit Change in ANB

This adjustment is used when audits of ANB cause corrections of payments made in past years. The monthly cash payment is reduced or increased to correct the payment for a past year. OPI usually makes a corrective payment in a single monthly installment. However, when significant amounts must be withheld to correct a prior year overpayment, the adjustment may take place over several months.

Accounting entries: (Note: Accounting entries depend on whether the district previously accrued the adjustment and whether the net cash payment is reduced to zero by the withholding. See examples below.) For a cash payment that is increased:

Example - Assume OPI owes the district additional DSA of $11,000 for the past year because of an ANB correction for a prior year. The regular June monthly payment is DSA $60,000 and State Special Education Funding $20,000.

If a receivable WAS NOT accrued at June 30th of the prior year:

General Ledger
Debit: X01-101 Cash $91,000 (current pymt plus prior year adj.) Credit: X01-402 Revenue Control $91,000 Revenue Subsidiary Ledger
Credit: X01-3110 Direct State Aid $60,000
Credit: X01-3115 State Spec Ed $20,000
Credit: X01-6100 Prior Year Revenue $11,000
(Note: Credit revenue code 6100 for all types of prior year revenue adjustments.)

If a receivable WAS accrued at June 30th of the prior year:

General Ledger
Debit: X01-101 Cash $91,000(current pymt plus prior year adj.)
Credit: 180 Due From Other Gov'ts $11,000
Credit: 01-402 Revenue Control $80,000
Revenue Subsidiary Ledger
Credit: X01-3110 Direct State Aid $60,000
Credit: X01-3115 State Spec Ed $20,000

For a cash payment that is withheld:

Example - Assume the district owes the state DSA of $9,000 and GTB $2,000 for the past year because of an ANB correction for a prior year. The regular June monthly payment is DSA $60,000 and State Special Education Funding $20,000. The cash payment is reduced by the adjustment amount.

If the payable WAS NOT accrued at June 30th of the prior year:

General Ledger

Debit: X01-101 Cash		$69,000 (current pymt minus prior year adj.)
Credit: 01-402 Revenue Control		$69,000
Revenue Subsidiary Ledger		
Debit: X01-6100 Prior Year Revenue (reduction)		$11,000
Credit: X01-3110 Direct State Aid		$60,000
Credit: X01-3115 State Spec Ed		$20,000

(Note: Debit revenue code 6100 for all types of prior year revenue adjustments.)

If a payable WAS accrued at June 30th of the prior year:

General Ledger		
Debit: X01-101 Cash		$69,000 (current pymt minus prior year adj.)
Debit: X01- 611/680 Due Other Gov'ts/Def'd Rev		$11,000
Credit: X01-402 Revenue Control		$80,000
Revenue Subsidiary Ledger		
Credit: X01-3110 Direct State Aid		$60,000
Credit: X01-3115 State Spec Ed		$20,000

For a cash payment that is withheld, ***resulting in a net cash payment of zero*****:**

Example - Assume the district owes the state DSA of $90,000 and GTB $20,000 of for the past year because of an ANB correction for a prior year. The August payment is DSA $60,000 and State Special Education Funding $20,000. The cash payment (normally $80,000) is entirely withheld to partially repay the adjustment. For large adjustments or in cases where adjustments must be made late in a fiscal year, OPI may request a cash refund, instead.

If the payable WAS NOT accrued at June 30:

General Ledger	
Debit: X01-101 Cash	$0
Credit: 01-402 Revenue Control	$0
Revenue Subsidiary Ledger	
Debit: X01-6100 Prior Year Revenue (reduction)	$80,000
Credit: X01-3110 Direct State Aid	$60,000
Credit: X01-3115 State Spec Ed	$20,000

(Note: Debit revenue code 6100 for all types of prior year revenue adjustments.)

If a payable WAS accrued at June 30:

General Ledger	
Debit: X01-101 Cash	$0
Debit: X01- 611/680 Due Other Gov'ts/Def'd Rev	$80,000
Credit: X01-402 Revenue Control	$80,000
Revenue Subsidiary Ledger	
Credit: X01-3110 Direct State Aid	$60,000
Credit: X01-3115 State Spec Ed	$20,000

(Note: The remaining adjustment will be withheld from future payments.)

TYPE 42 Prior Year Payment Adjustment Due to Change in Excess Reserve

Occasionally, OPI desk audits find that a district held invalid general fund "excess reserves" on their budget and consequently received an overpayment of GTB in a prior year. OPI withholds the current GTB cash payment, or the cash payment under another revenue type, to recoup the overpayment. This adjustment may be made in one month or over several months.

Accounting entry:

Example: Reduction of Cash Payment
OPI discovers that holding too much excess reserves caused a district to receive an overpayment of $1000 of GTB. The district normally would receive GTB of $80,000 this month. OPI reduces the GTB cash payment by the prior year overpayment amount.

General Ledger	
Debit: X01-101 Cash	$79,000
Credit: X01-402 Revenue Control	$79,000
Revenue Subsidiary Ledger	
Debit: X01-6100 Prior Year Revenue (reduction)	$ 1,000
Credit: X01-3120 GTB	$80,000
Credit: X01-3115 State Spec Ed	$20,000

(Note: Debit revenue code 6100 for reduction of any type of prior year revenue adjustment.)

TYPE 43 Prior Year Payment Adjustment due to Reversion

When a district did not spend the special education allowable cost funding and provide the required matching expenditures in the prior year, the state requires repayment of the prior year funding. The state reduces the current year special education allowable cost payment by the amount the district must refund. This is called a "reversion" of special education funding. The adjustment may be made in one payment or may take several payments, depending on the size of the reversion. The accounting method depends on whether or not an accrual was previously recorded and whether the net payment is zero in the month of reversion.

Accounting entries:

Example 1: Reduction of Cash Payment
Assume the district owes a reversion of $5,000 for FYX1. The reversion will be made by reducing the FYX2 payment. The normal monthly payment of special education funding is $25,000.

If you accrued a liability or deferred revenue at June 30th:

General Ledger	
Debit: X01-101 Cash	$20,000
Debit: X01-611/680 Due to Other Govt's/Def'd Rev	$ 5,000
Credit: X01-402 Revenue Control	$25,000
Revenue Subsidiary Ledger	
Credit: X01-3115 State Spec Ed	$25,000

TYPE 43 Prior Year Payment Adjustment Due to Reversion

8-0300.30 RECORDING ADJUSTMENTS (Cont'd)

When a district did not spend the special education allowable cost funding and provide the required matching expenditures in the prior year, the state requires repayment of the prior year funding. The state reduces the current year special education allowable cost payment by the amount the district must refund. This is called a "reversion" of special education funding. The adjustment may be made in one payment or may take several payments, depending on the size of the reversion. The accounting method depends on whether or not an accrual was previously recorded and whether the net payment is zero in the month of reversion.

Accounting entries:

Example 1: Reduction of Cash Payment
Assume the district owes a reversion of $5,000 for FYX1. The reversion will be made by reducing the FYX2 payment. The normal monthly payment of special education funding is $25,000.

If you accrued a liability or deferred revenue at June 30th:
General Ledger

Debit: X01-101 Cash	$20,000	
Debit: X01-611/680 Due to Other Gov'ts/Def'd Rev	$ 5,000	
Credit: X01-402 Revenue Control		$25,000

Revenue Subsidiary Ledger

Debit: X01-6100 Prior Year Revenue (reduction)	$ 5,000	
Credit: X01-3115 State Spec Ed		$25,000

(NOTE: Debit revenue code 6100 for reduction of any type of prior year revenue adjustment.)

If you DID NOT accrue a liability or deferred revenue at June 30th:
General Ledger

Debit: X01-101 Cash	$20,000	
Credit: X01-402 Revenue Control		$20,000

Revenue Subsidiary Ledger

Debit: X01-6100 Prior Year Revenue (reduction)	$ 5,000	
Credit: X01-3115 State Spec Ed		$25,000

(NOTE: Debit revenue code 6100 for reduction of any type of prior year revenue adjustment.)
If you DID NOT accrue a liability or deferred revenue at June 30th:
General Ledger

Debit: X01-101 Cash	$20,000	
Credit: X01-402 Revenue Control		$20,000

Revenue Subsidiary Ledger

Debit: X01-6100 Prior Year Revenue (reduction)	$ 5,000	
Credit: X01-3115 State Spec Ed		$25,000

(NOTE: Debit revenue code 6100 for reduction of any type of prior year revenue adjustment.)

Example 2: Net Cash Payment Equals Zero

Assume the district owes a reversion of $35,000 for FYX1. The reversion will be made by reducing the FYX2 payment. The normal monthly payment of special education funding is $25,000.

If you accrued a liability or deferred revenue at June 30th:

General Ledger

Debit: X01-101 Cash	$0
Debit: X01-611/680 Due to Other Gov'ts/Def'd Rev	$25,000
Credit: X01-402 Revenue Control	$25,000

Revenue Subsidiary Ledger

Credit: X01-3115 State Spec Ed	$25,000

If you DID NOT accrue a liability or deferred revenue at June 30th:

General Ledger

Debit: X01-101 Cash	$0
Credit: X01-402 Revenue Control	$0

Revenue Subsidiary Ledger

Debit: X01-6100 Prior Year Revenue (reduction)	$25,000
Credit: X01-3115 State Spec Ed	$25,000

(NOTE: Debit revenue code 6100 for reduction of any type of prior year revenue adjustment. Remaining reversion will be taken from the next monthly payment.)

TYPE 44 Prior Year Payment Returned to OPI

This adjustment is used when money is refunded to the state for a prior year overpayment or special ed reversion. Accounting entry:

General Ledger
Debit: X01-402 Revenue Control
Credit X01-101 Cash
Revenue Subsidiary Ledger
Debit: 6100 Prior Period Revenue Adjustment

9-0000.00 FEDERAL AND STATE PROGRAMS 9-0100.00 INTRODUCTION

Most federal, state, and local grants are accounted for using Miscellaneous Programs Fund (15) as provided in Section 20-9-507, MCA. Section 20-9-508, MCA, allows construction type grants to be deposited and accounted for in the Building Fund (60). Section 20-9-533, MCA, allows technology type grants to be accounted for in the Technology Fund (28) or in Fund (15). The Miscellaneous Fund (15) is a nonbudgeted fund and provides expenditures are limited to the cash balance and anticipated receivables to be received in 30 days as per Administrative Rules of Montana (ARM) 10.10.207.

9-0200.00 SPECIAL PROCEDURES 9-0200.10 CODING REVENUES AND EXPENDITURES WITH A PROJECT REPORTER CODE

The Office of Public Instruction follows the guidelines for accounting for state and federal grants suggested in Financial Accounting for Local and State School Systems 1990 published by the U. S. Department of Education. These guidelines provide a three digit **Project Reporter Code** (see Project Reporter Codes 3-0500.30) be added to revenue and expenditure accounts to track each grant separately. OPI also recommends this same code be added to balance sheet accounts. Adding the three digit project reporter code to the cash account allows tracking of each grant or project's cash balance. Otherwise, a subsidiary computer or manual system is necessary to keep track of the cash balance in a grant or project.

Any three digit number may be assigned as a project reporter code except the Office of Public Instruction (OPI) reserves codes in the range 910-999 for assignment. OPI currently uses numbers 910 - 919 to track budget amendments from #1 to #10. Numbers 919-999 are reserved for use by OPI.

At the beginning of each fiscal year, the district clerk should prepare an initial master list of grants and projects to be accounted for during the new fiscal year. The list should be updated as the school district or cooperative acquires new grants. OPI suggests this list be similar to the Project Reporter Code Page used in the Trustees' Annual Financial Summary (See page 4-0500-7) .

The next step at the beginning of each fiscal year is to add new revenue and expenditures accounts with the three digit project reporter code for new grants. Some grants carry over from one fiscal year to another. Accounts for these grants may be reused in the new fiscal year. If grants are totally spent by June 30th each year, these accounts may be used to account for the new grant in the next fiscal year without adding new accounts each year. See Topic 3-0500.30 for examples of how project reporter codes are used.

9-0200.20 MATCHING REVENUE SOURCE ACCOUNT WITH EXPENDITURE PROGRAM

Another unique feature in coding federal and state grants is matching an expenditure program code with the related revenue source account. The expenditure program code is found in the second dimension of the expenditure account number.

Expenditure Program Example:
IDEA Part B Grant - Teacher Salary Expenditure Account:

X15	- **456**	- 1000	- 112	- 778
Fund	Program	Function	Object	Project Reporter Code

Expenditure program 456 is matched with revenue source 4560 to properly identify the grant is an IDEA Part B grant. For a complete listing of matching expenditure program codes and revenue source see List of Common Expenditure Driven Grants in Topic 4-0400 Instructions for Trustees' Financial Summary. This list is updated annually.

9-0200.30 RECORDING REVENUES FROM FEDERAL AND STATE GRANTS

See section 5-0240.00 for special accounting procedures for recording revenues from expenditure driven federal and state grants. That section will explain how to show left over grant cash as deferred revenue.

9-0200.40 RECORDING INDIRECT COSTS

Costs applicable to a grant program may be direct or indirect. If a district wants to recover indirect costs for Federal programs administered by OPI or any other agency of the state or Federal government, the clerk or superintendent must file a Certification and Request for Authorized Indirect Cost Rate application for

approval by OPI. The application must be approved before indirect costs can be recovered. Indirect costs are "drawn" from a grant award as expenditures are incurred and do not increase or add to a grant award. Section 20-9-507, MCA, provides indirect cost recoveries be spent at the discretion of the trustees. Accordingly, the school district or cooperative should adopt an expenditure policy to spend indirect cost recoveries. Indirect cost recoveries should not be accumulated but should be used for general administrative expenses.

If the district accumulates sick and vacation leave for federally-paid employees, it may be advisable to recover indirect costs. Termination payouts for unused vacation and sick leave for employees paid using federal grant funds are normally paid either from the indirect cost pool or from the general fund. For classified and non-teaching or administrative staff, the termination payouts can also be made using the compensated absences fund. Since termination payouts cannot be charged directly to federal grants, an indirect cost pool is advised.

Limitations on the recovery of indirect costs

Three major limitations affect how much indirect cost may be recovered. These limitations are:

1. The rate negotiated with the Office of Public Instruction is the maximum allowable indirect cost for any federal program in which the school district participates. Federal law or grant conditions may further limit the amount of indirect costs or the indirect cost rate. For example, if the school district has a restricted rate of 5 percent and the law allows only a 3 percent rate of recovery for that program, then the district can recover only indirect costs equal to 3 percent of the direct costs. Some grants may prohibit any recovery of indirect costs.
2. Recovery of indirect costs on grants is subject to the availability of funds. Most restricted grants are allocated to the State as a block grant in which each district is entitled to a maximum grant amount. The total direct costs plus indirect costs cannot exceed the maximum entitlement.
3. Indirect costs are recovered only to the extent of direct costs incurred. The **indirect cost rate is applied to the direct cost amount expended less capital outlay and resource transfers to other entities**, not to the grant award.

Application of Rate

Once the proposal has been approved by the Office of Public Instruction, the district may elect to:

1. Apply the approved and applicable rate to all eligible federal projects;
2. Apply the approved and applicable rate only to specific eligible projects;
3. Not apply the rate to any projects; or
4. Apply the approved or a lower rate. If the rate applied is less than the approved rate, it is not necessary to apply the reduced rate uniformly to all projects.

9-0200.40 RECORDING INDIRECT COSTS (cont'd)

Budgeting Indirect Costs:

Use the following formula to determine the amount to budget as indirect cost recovery:

$$\text{Budgeted Indirect Cost Recovery} = \frac{\text{Indirect Cost Rate \% x (Total Award Less Capital Outlay \& Transfers)}}{\text{(1.00 + Indirect Cost Rate \%)}}$$

Example: If the total award is $40,000, budgeted capital outlay and resource transfers to other entities are $5,000, and the indirect cost rate approved by OPI is 4.32%, a school district or cooperative could budget "indirects" up to $1,449.39 (.0432 x ($40,000-$5,000)/(1.00+.0432)).

Taking Indirect Costs on Actual Expenditures:

To compute actual indirect costs, multiply the indirect cost rate by the total direct expenditures, less capital outlay and resource transfers to other entities:

Indirect Cost Recovery = Indirect Cost Rate % x Actual Direct Expenditures Less Capital Outlay & Transfers

Example: Continuing with the above example, actual direct expenditures totaled $38,000 and actual capital outlay and resource transfers to other entities totaled $5,500. The district or coop could take "indirects" up to $1,404.00 (.0432 x ($38,000-$5,500)). As provided by Section 20-9-507, MCA, this amount is "transferred" from the grant to the "Indirect/Aggregate of Reimbursements" project in the Miscellaneous Programs Fund (15).

Accounting Entries to Record Indirect Cost Recovery and Move to Indirect Cost Pool:

Dr: X15-802 Expenditure Control $1,404.00
Cr: X15-402 Revenue Control $1,404.00

Expenditure Subsidiary

Dr: X15-___-62XX-940-___ Indirect Costs $1,404.00

(To charge indirect costs to a grant project. The blank line after X15 should be filled in with expenditure program number and the blank line after 940 should be filled in with the school district's or cooperative's project reporter for the grant.)

Revenue Subsidiary

Cr: X15-4930-___ Indirect Cost Pool Revenue $1,404.00

(To record revenue in the Indirect Cost Pool Project in Fund 15. The blank line after 4930 should be filled in with the school district or cooperative's project reporter for the Indirect Cost Pool.)

Accounting Entries to spend Indirect Cost Pool:

Debit: X15-802 Expenditure Control $10 Credit: X15-620
Warrants Payable $10
Expenditure subsidiary
Debit: X15-271-2500-610-___ Clerk's Supplies $10
(To record purchase of $10 of supplies for the clerk's office from Indirect Cost Pool)

9-0200.50 RECORDING LEFTOVER GRANT BALANCES UNDER $10

Federal and state grants passed through OPI which have a remaining balance of $10 or less should not be refunded to OPI. School districts and cooperatives should establish an Indirect Cost or Aggregate of Reimbursement Project and transfer grant balances less than $10 as follows:

Accounting Entries to Eliminate Grant Balances Less than $10 and Move to Indirect Cost Pool:

Dr: X15-802 Expenditure Control $5.18
Cr: X15-402 Revenue Control $5.18

Expenditure Subsidiary

Dr: X15-___-62XX-940-___ Indirect Costs $5.18

(To charge indirect costs to a grant project. The blank line after X15 should be filled in with an expenditure program number and the blank line after 940 should be filled in with the school district's or cooperative's project reporter for the grant.)

Cr: X15-4930-___ Indirect Cost Pool Revenue $5.18

(To record revenue in the Indirect Cost Pool Project in Fund 15. The blank line after 4930 should be filled in with the school district's or cooperative's project reporter for the Indirect Cost Pool.)

9-0200.60 RECORDING INTEREST ON FEDERAL GRANTS LESS THAN $100

Federal regulations require entities which receive federal financial assistance to follow procedures to minimize the time elapsed between the transfer of funds to them and the disbursement of the funds. Generally, the time elapsed between the transfer of OPI-administered Federal money to the district and the disbursement should be as short as possible and definitely less than 30 days (OPI pays grants monthly). Districts are not allowed to keep excessive federal cash. Most federal moneys should be drawn between 3 and 5 days before the date of disbursement.

According to the OPI State and Federal Grants Handbook, each subgrantee may retain up to $100 of interest earned on federal grants in a given fiscal year for administrative expenses. This limit applies to all federal programs combined. School districts and cooperatives should establish an Indirect Cost Pool or Aggregate of Reimbursement Project in Fund 15 to record interest earnings up to $100.

Interest earned on Federal money (excluding Impact Aid) in excess of $100 must be refunded to the federal government. See the OPI State and Federal Grants Handbook for the address for interest refunds.

Accounting Entries to record interest earned on Federal grants:
School districts and cooperatives should establish an Indirect Cost or Aggregate of Reimbursement Project and record interest earnings up to $100 as follows:

Dr: X15-101 Cash	$25.00
Cr: X15-402 Revenue Control	$25.00
Expenditure Subsidiary	
Cr: X15-1510-___ Interest Earnings	$25.00

(To record interest earnings on various federal grants in the indirect cost pool. The blank line after 1510 should be filled in with the school district's or cooperative's project reporter code for the indirect cost pool.)

9-0200.70

ACCOUNTING FOR REIMBURSABLE GRANTS BEFORE MONEY IS RECEIVED

Occasionally, reimbursable-type federal, state, or local grants require school districts to incur expenditures before receiving reimbursement. Since the reimbursement is received after the expenditures are made, a temporary cash overdraft may occur if there is not sufficient cash in the Miscellaneous Programs Fund as a whole.

The following options are available to a school district if there is insufficient cash in the Miscellaneous Programs Fund:

1. Request forward or advance funding from the grantor.
2. Avoid incurring liabilities until cash is requested and received from the grantor.
3. Borrow cash from the Board of Investments.
4. Draw warrants or claims fund transfer on the Miscellaneous Programs Fund, provided the district anticipates receiving the reimbursement within 30 days. Although a cash overdraft may occur, this is permitted by Administrative Rule 10.10.207 which provides that transfers (or warrants) from non-budgeted funds cannot be made in excess of cash on hand and up to the amount of receivables to be collected within thirty (30) days. This rule was specifically written for county treasurers and auditors to allow occasional cash overdrafts in grant funds where cash is received on a reimbursement basis.

The school district should also notify the county treasurer as to which warrants will cause a cash overdraft in the particular fund and include a copy of the cash request form to the grantor which will provide cash to cover these warrants. This procedure should provide adequate documentation to comply with Sections 20-9-222(4) and 7-6-2603, MCA.

The district will also have to record revenue and establish a receivable in the same amount as the expenditures from the grant in the Miscellaneous Programs Fund. The receivable account should be zeroed out when the cash is received.

Accounting Entries:
For example, assume expenditures from a grant in June are $2,000. This amount will be reimbursed in July.

Miscellaneous Programs Fund

Debit: X15-802	Expenditures	$2,000	
Credit: X15-101/620	Cash/Warrants Payable	$2,000	Expenditure Subsidiary Ledger
X15-XXX-XXXX-XXX-XXX	Various Line-items	$2,000	

Debit: X15-180	Due from Other Governments	$2,000	
Credit: X15-402	Revenue	$2,000	
Revenue Subsidiary Ledger			
X15-XXXX-XXX	Specific Grant Account	$2,000	

(To accrue grant revenue for amounts expended but not reimbursed as of June 30. This entry results in equalizing grant revenue and expenditures in accordance with GAAP.)

To record the reimbursement received in July of the next year:

Debit: X15-101	Cash	$2,000
Credit: X15-180	Due from Other Governments	$2,000

(To record receipt of reimbursement for grant expenditures recorded in the previous year, for which revenue was accrued in the previous year.)

ACCTG FOR REIMBURSABLE GRANTS BEFORE MONEY IS RECEIVED (cont'd)

5. Draw warrants or claims fund transfers on the General Fund, but record the disbursements using a receivable account - Due From Other Governments - instead of an expenditure account. Another entry must also be made simultaneously in the Miscellaneous Programs Fund to record revenues and expenditures in the same amount as the warrants drawn on the General Fund. This is essentially a loan from the general fund until grant cash is received.

   Accounting Entries:
   For example, assume the district's expenditures in June are $2,000 for the grant. This amount will be reimbursed in July.

   General Fund

Debit: X01-180	Due from Other Governments	$2,000
Credit: X01-101/620	Cash/Warrants Payable	$2,000

   Miscellaneous Programs Fund

Debit: X15-802 Expenditures $2,000 Credit: X15-402 Revenue $2,000

Expenditure Subsidiary Ledger

X15-XXX-XXXX-XXX-XXX	Various Line-items	$2,000	Revenue Subsidiary Ledger
X15-XXXX-XXX	Specific Grant Account	$2,000	

(To accrue grant revenue for amount expended but not reimbursed as of June 30. This entry results in equalizing grant revenue and expenditures on the accounting records in accordance with GAAP.)

To record the reimbursement received in July of the next year:

General Fund

Debit: X01-101	Cash	$2,000
Credit: X01-180	Due from Other Governments	$2,000

(To record receipt of reimbursement for grant expenditures recorded in the previous year, for which revenue was accrued in the previous year.)

A letter should be sent to the county treasurer to specifically identify the warrants drawn on the receivable account in the General Fund. The letter should instruct the county treasurer to deposit the cash received from the grant to the General Fund rather than the Miscellaneous Programs Fund. Include a copy of the cash request form sent to the grantor with the letter to the county treasurer. This procedure should provide adequate documentation to comply with Sections 20-9-222(4) and 7-6-2603, MCA.

9-0200.70

6. School districts should avoid the practice of recording the expenditures from the General Fund and abating the expenditures when a reimbursement grant is later received. This procedure improperly results in the grant not being reported at all.

7. Districts that already incurred grant expenditures in the General Fund will need to "transfer" or recode these expenditures from the General Fund to the project in the Miscellaneous Programs Fund. These expenditures should be treated as expenditure abatements or "negative" expenditures in the General fund and recorded as regular expenditures in Fund 15. The school district will send a transfer letter to the county treasurer explaining funds originally paid from the General Fund must be transferred from Fund 15 to the General Fund so the expenditures will be reported in the correct fund.

ACCTG FOR REIMBURSABLE GRANTS BEFORE MONEY IS RECEIVED (cont'd)

8. Districts may record a direct loan to the Miscellaneous Programs Fund from any other fund. The loan should be repaid by June 30 if possible and must in ALL cases be repaid by the time the grant is closed out.

Accounting entries: Assume the grant must spend $10,000 and later will be reimbursed by the grantor.

General Fund

Debit: 160 Interfund Loan Receivable from Other Funds $10,000
Credit: 101 Cash $10,000
(To record the loan and receivable in the general fund, or whichever fund is providing the loan.)

Miscellaneous Programs Fund

Debit: 101 Cash $10,000 Credit:
601 Interfund Loan Payable to Other Funds $10,000
(To record the receipt of a loan from another fund. This should be tracked to the project reporter code of the grant that is borrowing.)

Send the treasurer a written request to transfer cash to provide this loan, stating a time you expect it will be repaid. State the resources you expect you'll use to repay the loan.

When the money is reimbursed by the grantor, deposit it into the Miscellaneous Programs Fund into the project reporter code used for the grant. Reverse the entries shown above. Write to the treasurer asking for funds to be repaid from the Miscellaneous Programs Fund to the General Fund (or other loaning fund).

9-0300.00 SINGLE AUDIT ACT -- OMB CIRCULAR A-133

9-0300.10 INTRODUCTION

Most school districts receiving Federal assistance shall have financial and compliance audits on an annual basis. The Single Audit Act (OMB Circular A-133) provides for a uniform approach to the audit of all federal aid programs by establishing policies, procedures and guidelines. The single audits under the law must be performed using generally accepted government auditing standards by independent auditors using due professional care and accountability.

9-0300.20 FEATURES

The Single Audit Act requires that:

1) School districts that spend more than $300,000 ($500,000 effective 7/1/04) per year in Federal financial assistance must have annual financial and compliance audits unless they perform such examinations on a biennial basis as required under State or local law; they may then continue that schedule.

2) School districts that spend less than $300,000 ($500,000 effective 7/1/04) of Federal financial assistance per year are not required by Federal regulations to have audits performed under a Federal requirement but are expected to retain accounting records so that Federal auditors can conduct audits if warranted.

9-0300.30 MONTANA AUDIT REQUIREMENTS

Montana's audit requirements meet the requirements of the Single Audit Act.

Who is required to have an audit? Each district with **over $200,000** of total revenues (all funds) in a year is required to have an audit.

For those elementary and high school districts that are audited together, the revenues of both districts are combined to apply the criteria.

A district that spends **$300,000** ($500,000 effective 7/1/04) **or more of Federal financial assistance** must have a Single Audit.

Districts with **less than $200,000 total revenue, and $300,000** ($500,000 effective 7/1/04) **or less of Federal financial assistance expenditures** will have a review (not audit) approximately every four years as requested by OPI and the Department of Administration. [Section 2-7-503, MCA]

9-0300.40 AUDIT REQUIREMENTS MATRIX

WHO IS REQUIRED TO HAVE AN AUDIT:

FEDERAL EXPENDITURES (Including USDA Commodities):	TOTAL REVENUES (ALL FUNDS):	TYPE OF AUDIT OR REVIEW REQUIRED:	COMMENTS:
Less than $300,000 ($500,000 beginning in FY05	$200,000 or less*	Review	One year at a time, rotating 4-year schedule. OPI or Dept of Administration will notify. Basically , review of procedures, especially for revenues and expenditures.
	More than $200,000*	Regular Audit (Also known as "Yellowbook Audit")	By contracted auditor (Dept of Administration** has standard contracts and a roster of authorized auditors). Usually one year. May be for two years, if previously approved by Dept of Administration**. Due 6/30 of following year.
$300,000 or more ($500,000 beginning FY05)		Single Audit (Also known as "Federal Audit" or "A-133 Audit")	By contracted auditor (Dept of Administration** has standard contracts and a roster of authorized auditors). Usually one year. May be for two years, if previously approved by Dept of Administration**. Due 6/30 of following year. Regular audit, plus some additional procedures to review and report on federal programs.

* To estimate, sum all revenues in all funds except bond proceeds and transfers (Rev. code 5100, 5300, 9710).

** Local Government Services Division of the Montana Department of Administration (406) 841-2906.

Please call the School Finance staff at (406) 444-1257 OR (406) 444-4524 if you have questions about audits.

9-0400.10 FEDERAL PROGRAMS MATRIX

PROGRAM NAME (OFFICIAL FED NAME)	ALIAS	CFDA#	REV SOURCE CODE ********** EXPEND PROG CODE	OPI CONTACT	LAST DAY TO ENCUMBER (Obligate)	LAST DAY TO EXPEND (Liquidate Obligation)	MATCH REQ?	MAINT OF EFFORT REQ?	COMMENTS
Adult Basic Education and Literacy	ABLE Adult Ed	84.002A	4540 454	Jurenne Fuchs 444-2560	June 30	July 30	Yes	Yes Statewide level	
ESEA Title I-A: Improving Basic Programs	Title I	84.010A	4200 420	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-A: Accountability	Title I	84.348A	4210 421	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-A: Improvement Grants	Program Improvement	84.010A	4220 422	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-B, Subpart 1: Reading First	Reading First	84.357	4230 423	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-B, Subpart 3: Even Start Family Literacy Program	Even Start	84.213C	4240 424	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-C: Migrant Education	Migrant Ed	84.011A	4250 425	Pat Dawes 444-3408	End date of project	Within 30 days of end date	No	No	
ESEA Title I-D: Education of Neglected and Delinquent and At-Risk Youth	Title I	84.013A	4270 427	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-F: Comprehensive School Reform	CSR	84.010B	4280 428	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title I-G: Advanced Placement		84.330C	4290 429	Jurenne Fuchs 444-2560	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title II-A: Teacher and Principal Training and Recruiting	Title II	84.367A	4300 430	Jurenne Fuchs 444-2560	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title II-D: Educational Technology	Technology	84.318	4310 431	Madilon Beatty 444-4403	Sept 30	Oct 30	No	No	
ESEA Title III-A: English Language Acquisition	Title III	84.365A	4320 432	Pat Dawes 444-3408	Sept 30	Oct 30	No	No	
ESEA Title IV-A: Safe and Drug Free Schools and Communities	Drug Free	84.186A	4330 433	Madilon Beatty 444-4403	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title IV-B: 21st Century Community Learning Centers		84.287C	4340 434	Madilon Beatty 444-4403	June 30	July 30			
ESEA Title V-A: Innovative Programs	Title V	84.298A	4350 435	Jurenne Fuchs 444-2560	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title V-D, Subpart 3: Partnerships in Character Education	Character Ed	84.215V	4360 436	Madilon Beatty 444-4403	June 30	July 30			

ESEA Title VI-B, Subpart 1: Small Rural Schools	SRS	84.358A	4120 412	Madilon Beatty 444-4403	Sept 30	Oct 30	No	Yes (Title I)	

9-0400.10 FEDERAL PROGRAMS MATRIX (cont'd)

ESEA Title VI-B, Subpart 2: Rural Low-Income Schools	RLI	84.358B	4370 437	Madilon Beatty 444-4403	Sept 30	Oct 30	No	Yes (Title I)	
ESEA Title X-C: Education of Homeless Children and Youth	Homeless	84.196A	4380 438	Pat Dawes 444-3408	Sept 30	Oct 30	No	Yes	
Gaining Early Awareness and Readiness for Undergraduate Programs	GEAR UP	84.334	4710 471	Jacalyn Grenfell (OCHE) 444-0321					
Individuals with Disabilities Act (IDEA) Part B	IDEA, IDEA-B, Special Ed.	84.027A	4560 456	Madilon Beatty 444-4403	June 30	July 30	No	Yes (IDEA)	
IDEA Preschool	IDEA Preschool Preschool	84.173A	4570 457	Madilon Beatty 444-4403	June 30	July 30	No	No	
IDEA State Program Improvement Grants for Children with Disabilities	IDEA State Program Improvement	84.323A	4580 458	Madilon Beatty 444-4403	June 30	July 30	No	No	
Learn and Serve Montana	Learn and Serve	94.004	4650 465	Pat Dawes 444-3408	June 30	July 30	Yes 15%	Yes	
Reading Excellence		84.338	4650 465	Pat Dawes 444-3408	June 30	July 30	No	No	Coordination of activities with Even Start, Reading First and Title I-A grants is encouraged
Vocational Education –Basic Grants	Federal Vo-Ed, Carl Perkins	84.048A	4510 451	Jurenne Fuchs 444-2560	June 30	July 30	No	Yes Statewide level	
National School Lunch Program	School Food	10.550 Commodities 10.553 Breakfast 10.555 Lunch 10.556 Milk 10.555 Snack	4550 910	Sofia Janik 444-2521	N/A	N/A	No	No	Monthly claims required for reimbursement
Summer Food Service Program	Summer Feeding	10.550 Commodities 10.559 Food Reimb	4555 910	Sofia Janik 444-2521		Sept 30	No	No	

9-0400.20 STATE PROGRAMS MATRIX

PROGRAM NAME (OFFICIAL FED NAME)	ALIAS	CFDA#	REV SOURCE CODE ********** EXPEND PROG CODE	OPI CONTACT	LAST DAY TO ENCUMBER (Obligate)	LAST DAY TO EXPEND (Liquidate Obligation)	MATCH REQ?	MAINT OF EFFORT REQ?	COMMENTS

State Adult Basic Education		None	3620 362	Jurenne Fuchs 444-2560	June 30	July 30	No	No	
Gifted and Talented State Grant Prog.	G & T	None	3600 360	Jurenne Fuchs 444-2560	June 30	July 30	Yes	No	Dollar for dollar
Services for Significant Needs Students	Formerly Day Treatment	None	3610 361	Madilon Beatty 444-4403	June 30	July 30	No	No	
State Career & Vocational/Technical Education Funds	CTE	None	3900 390	Jurenne Fuchs 444-2560	N/A	N/A	No	No	No final program report or fiscal closeout.
School Food State Match		None	3220 910	Sophia Janik 444-2521	N/A	N/A	N/A	N/A	

9-0400.30 GRANT/PROJECT RECAP WORKSHEET

_____ **SCHOOL**

DISTRICT NO. _____ COUNTY NO. _____

LEGAL ENTITY NO. _____ MONTH ENDING _____

TITLE OF PROGRAM	CFDA* NUMBER SEE NOTE 1	COMPLETE PROJECT NUMBER	PROJECT REPORTER	CLERK'S BEGINNING CASH BALANCE	TOTAL RECEIPTS	TOTAL DISBURSEMENTS	CLERK'S ENDING CASH BALANCE
AGG OF REIM/ INDIRECT COST POOL							

NOTE (1): CFDA # is the Catalog of Federal Domestic Assistance number used to identify federal grant programs. See Chart of Accounts, Section 3-0500 of the School Accounting Manual under the appropriate revenue code to obtain the CFDA number of a particular federal grant.

The clerks' ending cash balance is shown on line 1 Cash less Outstanding Warrants of the Balance Sheet. If remaining grant funds have to be refunded, the offsetting item on the Balance Sheet is line 22, Due to Other Governments. If the grant funds may be spent in the following year, the offsetting item is line 25, Deferred Revenue. If there is a cash overdraft in a grant, the offsetting item is line 4, Due From Other Governments. See Section 5-0240, Revenues from Federal and State Grants, and 7-0400 or 7-0500, Cash to Accrual worksheets in the School Accounting Manual for further instructions.

9-0400.32 GRANT CONTROL NOTEBOOK

Suggested Grant Accounting Procedures:

A. Establish a Grant Control Notebook with the following dividers:

1. Master control list of all grants.

2. Grant/Project Recap Worksheets
   a. Complete Grant/Project Recap Worksheet Monthly
   b. The Grant/Project Recap Worksheet should reconcile monthly to the county treasurer's cash balance for Fund 15.

3. Dividers for each grant
   a. Workplan or calendar to order, spend, and report grant funds
   b. Cash/Match Control Record for the grant
   c. Copies of completed cash order or cash request forms
   d. Receipts or payment advices from grantors
   e. Quarterly Expenditure Reports
   f. Any other pertinent information

B. Establish individual file folders for each grant to file the following:

1. Grant application
2. Approved budgets
3. Award document
4. Record of cash requests (copies of cash request forms)
5. Record of cash receipts
6. Cash disbursements
7. Matching expenditures
8. Important correspondence
9. Final reporting and closeout documents

9-0400.34

District/Coop Name					Grant Period			
Grant Name					Grant Award			
Project Number					Match Amount			
Cash Balance - Grant Funds							Non-Grant Funds	
Month	Description	Receipt Amount	Expenditure Amount	Cash Balance	Remaining Grant to Order		Monthly Expenditure Match	Matching Balance Remaining
XXX	Totals							

CASH/MATCH CONTROL RECORD

APPENDIX C

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U)
Historical Perspective (1982-84 = 100)

Year	Average Index	Year	Average Index	Year	Average Index
1913	9.9	1945	18.0	1977	60.6
1914	10.0	1946	19.5	1978	65.2
1915	10.1	1947	22.3	1979	72.6
1916	10.9	1948	24.1	1980	82.4
1917	12.8	1949	23.8	1981	90.9
1918	15.1	1950	24.1	1982	96.5
1919	17.3	1951	26.0	1983	99.6
1920	20.0	1952	26.5	1984	103.9
1921	17.9	1953	26.7	1985	107.6
1922	16.8	1954	26.9	1986	109.6
1923	17.1	1955	26.8	1987	113.6
1924	17.1	1956	27.2	1988	118.3
1925	17.5	1957	28.1	1989	124.0
1926	17.7	1958	28.9	1990	130.7
1927	17.4	1959	29.1	1991	136.2
1928	17.1	1960	29.8	1992	140.3
1929	17.1	1961	30.0	1993	144.6
1930	16.7	1962	30.4	1994	148.3
1931	15.2	1963	30.9	1995	152.5
1932	13.7	1964	31.2	1996	157.0
1933	13.0	1965	32.8	1997	160.4
1934	13.4	1966	32.9	1998	163.2
1935	13.7	1967	33.9	1999	166.7
1936	13.9	1968	35.5	2000	172.7
1937	14.4	1969	37.7	2001	177.5
1938	14.1	1970	38.8	2002	180.1
1939	13.9	1971	40.5	2003	183.9
1940	14.0	1972	41.8		
1941	14.7	1973	44.4		
1942	16.3	1974	49.3		
1943	17.3	1975	53.8		
1944	17.6	1976	56.9		

SOURCES: U.S. Bureau of Statistics and Montana Department of Labor and Industry.

APPENDIX D

GLOSSARY OF TERMS

This section contains definitions of terms used in this Manual and additional terms necessary to understand financial accounting procedures for school districts. Several terms which are not primarily financial accounting terms have been included because of their significance in school district financial accounting. The glossary is arranged alphabetically with appropriate cross-references where necessary.

Abatement A complete or partial cancellation of a levy imposed by a government unit. Abatement usually applies to tax levies, special assessments and service charges.

Abatement of Expenditures A reduction of a previously recorded expenditure item or portion of an expenditure item. Usually results from goods or materials purchased which are of a quality other than expected, for which refunds or allowances are made to the district by the vendor. Abatements result in reduction of expenditures only when they occur during the same fiscal year as the expenditure; after that year, abatements become sources of revenue to the fund.

Abatement of Revenues A reduction of a previously recorded revenue item or portion of a revenue item. Usually results from the necessity to refund federal grant money, refund lunch ticket receipts, etc.

Accredited Officially approved as meeting the basic standards prescribed by the Board of Public Education. A condition prerequisite to eligibility for state equalization aid (20-7-102 and 20-9-311).

Account A descriptive heading under which financial transactions relating to the specific asset, liability, fund balance, revenue, expenditure or budgetary item are recorded.

Accountability The capability and the responsibility to account for the expenditure of money and the commitment of other resources in terms of the results achieved. This involves both the stewardship of money and other resources and the evaluation of achievement in relation to specified goals.

Accounting Acronym A word formed from the initial letters of a financial accounting principle, standard, account, board, organization, legislative act, etc. The following acronyms are commonly used in governmental accounting and are explained individually throughout this glossary:

AICPA American Institute of Certified Public Accountants
APB Accounting Principles Board
ASBO Association of School Business Officials
CAFR Comprehensive Annual Financial Report CPI Consumer Price Index
FASB Financial Accounting Standards Board
GASB Governmental Accounting Standards Board
GAAFR Governmental Accounting, Auditing, and Financial Reporting
GAAP Generally Accepted Accounting Principles
GFOA Government Financial Officers Association
GAAS Generally Accepted Auditing Standards
GPFS General Purpose Financial Statements IGFA Investments in General Fixed Assets
MFOA Municipal Finance Officers Association
NCGA National Council on Governmental Accounting
RAN Revenue Anticipation Note

Accounting Period A period of time for which financial records are maintained and at the end of which financial statements are usually prepared; for example, July 1 to June 30. Also see Fiscal Period.

Accounting Principles Board (APB) Founded in 1959 by the AICPA to establish accounting principles. Was replaced by the FASB in 1973.

Accounting Procedure The arrangement of all processes which discover, record and summarize financial information to produce financial statements, reports and to provide internal control.

Accounting System The total mechanism of records and procedures which discover, record, classify and report information on the financial position and operations of a governmental unit or any of its funds, balanced account groups and organizational components.

Accounts Payable Liabilities or amounts owed on open account to private persons, firms, corporations for goods and/or services received by a school district (but not including amounts due to other funds of the same district or to other governmental units).

Accounts Receivable Amounts owed to the school district by private persons, firms, or others on open account (but not including amounts due from other funds of the same district or from other governmental units). NOTE: although taxes receivable are covered by this term, they should be recorded separately in the Taxes Receivable accounts.

Accrual Basis The basis of accounting under which revenues are recorded when earned, and expenditures are recorded when liabilities are incurred for benefits received, regardless of when cash payment is made or cash income is actually received. See also Accrual Basis - Modified.

Accrual Bases Expenditures Expenditures during a given fiscal period for liabilities incurred, whether paid or unpaid.

Accrual Basis - Modified As prescribed in this manual: (l) Revenues are recorded when they become both available and measurable to finance expenditures of the current period. (2) Expenditures are recorded when a liability is incurred. (3) Accounts are provided to record liabilities, encumber appropriations and establish controls over receivables.

Accrued Expenditures Expenditures incurred during the current accounting period for which payment is not made until a subsequent accounting period. Also see Accrued Liabilities and Accrual Basis.

Accrued Interest Payable Liability for amount of interest at the balance sheet date (June 30) which is owed but not due to be paid until a later date.

Accrued Liabilities Amounts owed but not yet paid for services performed or goods received during the current accounting period.

Accrued Revenue Revenue earned during the current accounting period but which will not be collected until the following accounting period, and which is recorded in the current accounting period as revenue.

Accrued Salaries A liability for wages and salaries earned by employees between the last payment date and the end of the accounting period but which are not yet paid.

Accumulated Depreciation See Allowance for Depreciation.

Actuarial Basis Assumptions used to compute the amount to be paid or collected periodically so that the amount plus interest will total a required balance by the end of a certain period of time. Most often used in determining retirement contributions and insurance premiums.

Ad Valorem In proportion to value. A basis for levy of property taxes.

Addition Part or added feature which increases the function or adds value or capacity to a fixed asset without redesigning the basic function of the equipment.

Administration Those activities which have as their purpose the general regulation, direction and control of the affairs of the school district that are system-wide and not confined to one school, subject or narrow phase of school activity.

Adult Education Instruction of persons 16 years of age or older who are not regularly enrolled, full-time pupils for the purpose of ANB calculations.

Adult Basic Education Instruction in basic skills such as reading, writing, arithmetic, and other skills required to function in society offered to persons 16 years of age or older who are not regularly enrolled, full-time pupils for the purposes of ANB computation. May include any subject offered in the basic curricula of an accredited elementary or secondary school. State funds for Adult Basic Education programs are deposited in the Adult Education Fund (17). Federal funds for Adult Basic Education programs are deposited in the Miscellaneous Programs Fund (15).

Adult/Continuing Education Instruction designed to develop knowledge and skills to meet immediate and long-range educational objectives for adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities. Programs include activities to foster the development of fundamental tools of learning, prepare for a post-secondary career, prepare for post-secondary education programs, upgrade occupational competencies, prepare for new or different careers, develop skills and appreciations for special interests, or enrich the aesthetic qualities of life. Adult/Continuing Education programs are recorded in the Adult Education Fund (17).

Advance Refunding Bonds Bonds issued for the purpose of repaying bonds which will mature one year or more from the date of the advance refunding bonds. Also see Refunding Bonds.

Agency Fund Fund consisting of resources received and held as an agent for others. Sometimes used to hold monies for funds before distribution, such as a payroll clearing account.

Agent One who represents, acts for, and accounts to another.

Allocation Amount allocated, or designated, for a specific use.

Allowable Costs for Special Education Cost for special education which are specified by law as eligible for state funding and approved by the Superintendent of Public Instruction (20-7-431, 20-9-321, MCA).

Allowance for Depreciation Proprietary or trust fund account in which the periodic cost of the related asset which has been charged as depreciation expense is accumulated. It is a contra-asset account. Also called "Accumulated Depreciation."

Allowance for Uncollectible Taxes Account in which the amount of taxes estimated to be uncollectible is recorded. The balance of this account is shown as a deduction from the Taxes Receivable account to which it relates on the Balance Sheet.

American Institute of Certified Public Accountants (AICPA) Professional association of certified public accountants.

Amortization (of Debt) (1) Gradual reduction of an amount owed according to a specified schedule of times and amounts of expenditure recognition. (2) Provision for payment of debt.

ANB Average Number Belonging. A number which reflects the average number of regularly enrolled, fulltime pupils attending the public schools of a district. ANB is used primarily for funding purposes.

Appropriation Maximum expenditure authorization during a given fiscal period. Appropriations are shown in the general ledger.

Appropriation Expenditure An expenditure chargeable to an appropriation. Since virtually all expenditures of governments are chargeable to appropriations, the term expenditure by itself is widely and properly used. See Expenditure.

Appropriation Ledger A ledger containing an account for each appropriation. Each account usually shows the amount originally appropriated, transfers to or from the appropriation, amount disbursed against the appropriation, the encumbrances, the net balance and other related information. If allotments are made and a separate ledger is maintained for them, each account usually shows the amount appropriated, transfers to or from the appropriation, the amount allotted and the unallotted balance.

Arbitrage (1) Buying and selling, bonds, etc. simultaneously in different markets to profit from different prices. (2) The difference between the interest paid on debt and the interest earned on the proceeds derived from that debt.

Arbitrage Bond Bond issued of which any portion of the proceeds are reasonably expected (at the time of issuance of the bond) to be used directly or indirectly (l) to acquire higher yielding investments, or (2) to replace funds which were used directly or indirectly to acquire higher yielding investments.

Arbitrage Rebate Payment required to the U.S. Treasury for the amount of earnings on tax-exempt bond issue proceeds invested in taxable obligations that exceed the yield on the issued bonds.

Assessed Valuation Valuation set on real estate or other property by a government as a basis for levying taxes.

Assessment (1) Process of making the official valuation of property for taxation purposes. (2) Valuation placed on property as a result of this process.

Assets Tangible and intangible property owned by a school district. Assets are comprised of items of measurable monetary value, based on historic cost.

Attorney General's Opinion (A.G.O.) Official opinions of the Attorney General of Montana, which are effective as law until the issue is decided in court.

Audit Examination of records and documents and the securing of other evidence for one or more of the following purposes: (1) ascertain whether the statements prepared from accounts present fairly the financial

position, results of operations, changes in fund equity, and changes in financial position of each of the funds and account groups of the district in accordance with generally accepted accounting principles applicable to school districts on a basis consistent with that of the preceding year; (2) determining the propriety, legality and mathematical accuracy of financial transactions; (3) ascertain the stewardship of public officials who handle the financial resources of the district.

Auditor's Opinion A statement signed by an auditor which states that he has audited the financial statements in accordance with generally accepted auditing standards and which expresses his opinion (with exceptions, if any), on the financial condition, changes in fund equity, and results of operations of some or all of the constituent funds and balanced account groups of the governmental unit, as appropriate. Also see Unqualified Opinion.

Balance Sheet Basic financial statement which discloses the assets, liabilities, and equities of a fund of an entity at a specified date in conformity with GAAP. If several funds/account groups are presented on one balance sheet, each fund or account group must be listed in a separate column or section. Also referred to as Statement of Financial Condition.

Base Funding Program Minimum operating expenditures sufficient to provide for the educational program of a school (20-9-306, MCA). In practice, that portion of the district's budget within the General Fund which is statutorily required based on ANB size of the district.

Basic County Levy Tax of 55 mills levied on all property in the county for support of the state base funding program and for purposes of elementary and high school equalization. (20-9-333, MCA). 33 mills are levied for elementary districts and 22 mills levied are for high school districts.

Basic Financial Statements Those financial statements, including notes thereto, which are necessary for a fair presentation of the financial position and results of operations of an entity in conformity with GAAP. Under Statement 1, basic financial statements include a balance sheet, an "all inclusive" operating statement, a statement comparing budgeted with actual revenues and expenditures and (for Proprietary funds, Pension Trust Funds and Nonexpendable Trust Fund, a statement of changes in financial position). See Financial Reporting Pyramid, Combined Statements - Overview, Combining Statements - By Fund Type, Individual Fund Statements, General Purpose Financial Statements, and Generally Accepted Accounting Principles.

Basis of Accounting Time at which revenues, expenses, expenditures, transfers and related assets and liabilities are recognized in the accounts and reported in the financial statements.

Betterment Addition to or change in a fixed asset which is expected to prolong the asset's life or increase its efficiency over and above maintenance. Cost of betterment is added to the book value of the asset.

Bond Written promise, generally under seal, to pay a specified sum of money, called the face value, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed rate, usually payable periodically. The difference between a promissory note and a bond is that the latter usually runs for a longer period of time and requires greater legal formality. Also see Refunding Bonds, Serial Bonds, Surety Bond.

Bond Anticipation Notes Short term interest bearing notes issued by a district in anticipation of bonds to be issued at a later date. Such notes are repaid using proceeds from related bonds issued later.

Bond Attorney Attorney who approves the legality of a bond issue.

Bond Discount Excess of the face value of a bond over the price for which it is acquired or sold. The price does not include accrued interest at the date of acquisition or sale.

Bond Interest Payable Cumulative interest due on bonded indebtedness.

Bond Premium Excess of the price at which a bond is acquired or sold over its face value. The price does not include accrued interest at the date of acquisition or sale.

Bonded Debt Portion of the school district debt consisting of outstanding bonds of the district. Sometimes called "Funded Debt".

Bonds Payable Liability for face value of bonds issued and outstanding.

Book Value Original asset cost, less accumulated depreciation to date, of a fixed asset belonging to a proprietary fund.

Books of Original Entry Record in which the various transactions are formally recorded for the first time, such as the cash or payroll journals, check register or general journal. Where mechanized bookkeeping methods are used, it may happen that one transaction is recorded simultaneously in several records, one of which may be regarded as the book of original entry. NOTE: Memorandum books, check stubs, files of duplicate sales invoices, etc., whereon first or prior business notations may have been made, are not books of original entry in the accepted meaning of the term unless they are also used as the media for direct posting to the ledgers.

Budget Plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them. See Topic 4.

Budget, Balanced: Budget in which estimated expenditures and estimated appropriations for other financing uses for the budgeted fiscal year are not greater than the total of estimated revenues and estimated other financing sources for the budgeted fiscal year, estimated fund balance at the beginning of the budgeted fiscal year less estimated reserved fund balance at the end of the budgeted fiscal year, and the projected revenue from receivables collectable in future years; as approved by the Superintendent of Public Instruction.

Budget Status Report Report which compares the current actual revenues and expenditures recorded to the previously budgeted revenues and expenditures.

Budgetary Accounts Those accounts necessary to reflect budget operations and conditions, such as estimated revenues, appropriations, and encumbrances, as distinguished from proprietary accounts.

Budgetary Control Control or management of the business affairs of the school district in accordance with an approved budget with a view toward keeping expenditures within the authorized amounts.

Budget Unit A separate funding group within a school district. To qualify as a separate unit, a school of the district must be located more than 20 miles from the incorporated city limits and at least 20 miles from another building of the district. An elementary district that has been approved for high school Foundation Program schedule rates for grades 7 and 8 may also be a separate unit.

Building One continuous structure which may or may not be connected with other structures by passageways. For budget unit purposes, 2 buildings connected by a breezeway are one budget unit. It includes the building itself and the plumbing, heating, ventilating, mechanical and electrical work and other

fixtures. Two structures connected by a breezeway, a covered walkway, or tunnel would be two buildings. Buildings are valued at acquisition cost or, if a gift, at the market value at the time of acquisition.

Building Fund See Capital Projects Fund.

Capital Assets See Fixed Assets.

Capital Outlay (Expenditure) Expenditure which results in the acquisition of fixed assets or additions to fixed assets. It is an expenditure for land or existing buildings, improvement of grounds, construction of buildings, additions to buildings, remodeling of buildings, or equipment. Includes installment or lease payments on property (except interest) which have a terminal date and result in the acquisition of property.

Capital Projects Fund Fund type used to account for all moneys and resources set aside for acquisition of fixed assets through construction and remodeling projects. Building Fund (60), Building Reserve Fund (61) and Mining Impact Fund (62) are the capital projects funds used by Montana school districts.

Cash Currency, coins, checks, postal and express money orders, bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash, and bank deposits. Any restriction or limitations as to its availability should be indicated.

Cash Basis Basis of accounting under which revenues are recorded only when actually received, and only cash disbursements are recorded as expenditures.

Cash Basis Expenditures Actual disbursements during a given fiscal period for operating expenditures, capital outlay, and debt service, regardless of when liabilities are incurred.

Cash Discount An allowance received or given if payment is completed within a stated period. The term is not to be confused with "trade discount."

Cash in Transit Term used in reconciling cash which has been remitted from cash on hand and/or in local banks to the county treasurer.

Cash Reappropriated Fund balances at the end of one fiscal year may be used or "reappropriated" to reduce tax levies in the following year. When budgeting, the fund balance must be divided between cash reappropriated and reserve. See also Reserve.

Central Warehouse Facility used for district-wide receiving, storing, and distributing of supplies, equipment or materials.

Certificate of Conformance Awarded by GFOA to state and local governments (including school districts), and public employee retirement systems that publish and submit a CAFR that is judged to be in substantial conformance with GAAP and certain other reporting standards.

Certified Staff Professional personnel of the district who have teacher or specialist certificates; certificates are issued by the Superintendent of Public Instruction in compliance with policies established by the Board of Public Education. This includes administrators.

CFDA Number Catalog of Domestic Assistance Number. The catalog assigns an identification number to most federal grant programs. The number is in the form: XX.XXX, where the first two digits designate the federal grantor agency and the last three digits designate the grant program number. For example, CFDA #84.003 is the Department of Education's Bilingual Education grant.

Chart of Accounts List of accounts systematically arranged, applicable to a specific concern, giving account names and numbers, if any. A chart of accounts, accompanied by descriptions of account use and of the general operation of the books of account, becomes a classification or manual of accounts; a significant feature of a system of accounts.

Check A bill of exchange drawn on a bank payable on demand; a written order on a bank to pay on demand a specified sum of money to a named person, to his order, or to bearer, out of money on deposit to the credit of the maker. A check differs from a warrant in that the latter is not necessarily payable on demand and may not be negotiable. A check differs from a voucher in that the latter is not an order to pay.

Clearing Accounts Accounts used to accumulate total revenues or expenditures either for later distribution among the accounts to which such revenues or expenditures are properly allocable, or for recording the net differences under the proper account. Also see Revolving Fund, Prepaid Expenditures and Petty Cash.

Coding A system of numbering, or otherwise designating accounts, entries, invoices, vouchers, etc., in such a manner that the symbol used reveals quickly certain required information. Use of the uniform chart of accounts to classify and record transactions on the financial records.

Combined Statements - overview The five basic financial statements comprising the first of the financial reporting pyramid's three reporting levels containing GAAP basic financial statements. They include: (I) Combined Balance Sheet — All Fund Types; (2) Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types; (3) Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual - General and Special Revenue Fund Types (and similar governmental fund types for which annual budgets have been legally adopted); (4) Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity) - All Proprietary Fund Types; (5) Combined Statement of Changes in Financial Position - All Proprietary Fund Types; and (6) Notes to the Financial Statements. Trust Fund operations may be reported in (2), (4), and (5) above, as appropriate, or separately. The Combined Statements - Overview are also referred to as the "liftable" **general purpose financial statements (GPFS)**.

Combining Statements - By Fund Type Second of the financial reporting pyramid's three reporting levels containing GAAP basic financial statements. Such statements are presented for each fund type for which the government maintains more than one fund. They include GAAP basic financial statements for each fund of a particular fund type in separate adjacent columns and a total column which duplicates the column for that fund type in the Combined Statements-Overview.

Comprehensive Annual Financial Report (CAFR) Official annual report of a government. It includes Combined Statements - Overview (the "liftable" GPFS) and basic financial statements for each individual fund and account group prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with financerelated legal and contractual provisions, extensive introductory material, and a detailed Statistical Section. Every government (including every school district) should prepare and publish a CAFR annually as a matter of public record.

Conditional Sales Contract Sales contract providing for a series of payments to be made over a period of time. In contrast to normal credit sales, installment sales usually provide for payments over a longer period of time, with the buyer receiving only a conditional title until payments are completed.

Construction in Progress Expenditures for construction work undertaken but not yet completed. Recorded as a TEMPORARY asset in the SCFA yearly based on the work on a construction contract completed by year end. This asset is cleared at the contract's completion by transferring the expenditure

into applicable fixed asset categories in the SCFA: Site (311-322), Buildings and Improvements (331332), and Machinery and Equipment (341-342).

Contra-Entry Under the double-entry accounting system concept, a contra-entry represents the corresponding credit side to the debit side of an account or accounts; or vice versa.

Contracts Payable Amounts remaining unpaid on contractual agreements. The balance at the end of the fiscal year represents an accrued liability.

Contractual Services Services rendered by personnel who are not on the payroll of the school system including all related expenditures covered by the contract.

Control Account An account usually kept in the general ledger in which the postings to a number of identical, similar, or related accounts are summarized, so that the balance in the controlling account equals the sum of the balances of the detailed accounts. The controlling account serves as a check on the accuracy of the detailed account postings and summarizes the expenditures in relation to the budget estimates.

County Equalization Aid Money for distribution to school districts for the support of the based funding programs in accordance with a statutory formula (20-9-331, 20-9-333, MCA).

County Equalization Level (also county equalization percentage) For elementary districts in a given county, the proportion of the total financial requirements of all the elementary schools' Direct State Aid which is achieved by any miscellaneous county revenues and the basic county levy for elementary schools. For high schools in a given county, the proportion of the total financial requirements of all the high schools' Direct State Aid which is achieved by the basic county levy for high schools. (20-9-335, MCA for calculation of the proportion.)

Credit In double entry accounting procedures, an entry on the right side of an account. Credits increase liabilities, revenues, and fund balance; they decrease assets and expenditures.

Crossover or Nondefeasance Method This method provides for the sale of refunding (new) bonds whose proceeds are used to purchase certain investments which are placed in the custody of the trust department of a bank or the county treasurer. The investments provide interest earnings which are used to pay interest on the refunding (new) bonds. The investments are selected so that the cash from the maturing investments is used to redeem all the remaining refunded (old) bonds. The debt service requirements of the refunded (old) bonds is provided by a tax levy which is budgeted in the usual manner.

Current Assets Those assets which are available or can be made readily available to meet the expenditures for operations or to pay current liabilities. "Current" indicates availability within the next accounting period. Some examples are cash, short term investments, and taxes receivable.

Current Expenditures Expenditures which are chargeable to the current fiscal year. On the accrual basis, these include charges incurred whether paid or unpaid. On the cash basis, current expenditures include only actual disbursements.

Current Loan A loan payable in the same fiscal year in which the money was borrowed. Interfund loans are an example since they must be repaid in the same fiscal year.

Current Taxes Taxes levied in the current fiscal period. Also see Taxes Receivable.

Current Year The year in progress at the time a given act is performed.

Debit In double entry accounting procedures, an entry on the left side of an account. Debits increase assets and expenditures and decrease liabilities, fund balances, and revenues.

Debt Limit The maximum amount of gross or net debt legally permitted. Bonded debt and short term debt are limited to 45% of the taxable property of the district, as specified in Section 20-9-406, MCA.

Debt Service Expenditures for the retirement of debt and expenditures for interest on debt, except principal and interest on current loans.

Debt Service Fund Fund established to finance and account for accumulation of financial resources over a long period of time to pay principal and interest of general long term obligation bonds, Impact Aid revenue bonds, and Special Improvement District assessments.

Defeasance Method Method of refunding general obligation bonds in advance as provided in section 209-412, MCA. This method provides for the sale of new general obligation refunding bonds whose proceeds are used to purchase certain investments which are placed in the custody of the trust department of a bank or in the custody of the county treasurer. The investments are selected so that the cash realized from maturing investments, together with interest earned, will be available to pay the principal and interest of the refunded (old) bonds as they mature and become callable. When the defeasance method is used, taxes are no longer levied for the annual debt service requirements of the refunded (old) bond issue. Instead, taxes are levied for the annual debt service requirements of the refunding (new) bond issue together with any bonds that have not been refunded.

Deferred Charges Expenditures which are not chargeable to the fiscal period in which made. In accounting systems that recognize deferred charges, they are carried on the asset side of the balance sheet pending amortization or other disposition. Deferred charges differ from prepaid expenditures in that they usually extend over a longer period of time and may or may not be regularly recurring expenditures for operation. Also see Prepaid Expenditures.

Deferred Revenues Amounts for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Deficit The excess of the liabilities of a fund over its assets.

Delinquent Taxes Taxes remaining unpaid on and after the date on which they become due and payable by statute.

Depreciation Expiration in service life of fixed assets, other than wasting assets, because of wear through use, elapse of time, inadequacy or obsolescence.

Depreciation Expense Portion of the cost of a fixed asset which is charged as an expense during the fiscal period.

Direct Expenditures Those elements of expenditure which can be easily, obviously, and conveniently identified with specific programs, as distinguished from those expenditures incurred for several different programs and whose elements are not readily identifiable with specific programs. To be considered direct

expenditures in the accounting system, the expenditures must be charged to specific programs and need no further allocation.

Disbursement Payment in cash, including but not limited to payment by warrants.

District School district, defined by state law as the territory under the jurisdiction of a single board of trustees (20-6-101, MCA). The four types of districts are elementary, high school, K-12, and county high school. A district may have one of the following characteristics:

Joint—Consisting of territory situated in more than one county.

Non-operating—No operating school; may continue as a nonoperating district for 3 years maximum.

Operating District—School district in which at least one school is operated.

Double Entry System of bookkeeping which requires for every entry made to the debit side of an account or accounts, an entry for the corresponding amount or amounts to the credit side of another account or accounts.

Earned Interest (1) Interest collected. (2) Interest due at June 30th but not received.

Employee Benefits Expenditures of the school system made in behalf of employees; these amounts are not included in the gross salary, but are in addition to gross salary. They are fringe benefits, and while not paid directly to employees, nevertheless are part of the expenditure total of salaries and benefits. Examples are: (a) Group Health or Life Insurance, (b) Contributions to Employee Retirement, (c) Social Security, (d) Workers' Compensation.

Encumbrances Purchase orders, contracts and salary or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is set up.

Ensuing Year Used with reference to budgeting; the year for which the budget is being prepared. For example, if the current year is 2003-04, ensuing year is 2004-05.

Enterprise Fund Fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples of Enterprise Funds are those for food services, bookstores, and athletic programs.

Entity The basic unit upon which accounting and/or financial reporting activities are focused. The basic governmental legal and accounting entity is the individual fund and account group.

Entry The record of a financial transaction in its appropriate book of accounts. Also, the act of recording a transaction in the books of accounts.

Equalization Application of resources to provide equality of education opportunity to all the state's pupils while equalizing the financial burden of providing the education. Applied on a county and state basis.

Equipment Material item of a nonexpendable nature whose parts are replaceable or repairable, the whole retaining its identity and utility over a period of time which is characteristic of and definable for items of its class; e.g., a unit of furniture or furnishings (not a built-in facility), an instrument or apparatus, a machine (including attachments), an instructional skill-training device, or a set of small articles.

Equity In commercial accounting, equity is the mathematical excess of assets over liabilities. In fund accounting this excess is called "Fund Balance."

Expendable Trust Fund Trust fund whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Also see Nonexpendable Trust Fund.

Expenditure An amount chargeable to an appropriation. Expenditures include both disbursements and accruals. See Appropriation Expenditure.

Expenditure Per Pupil Expenditures for a given period of time divided by a pupil unit of measure.

Extracurricular Activities Direct and personal services for public school pupils, such as interscholastic athletics and activities, entertainments, publications, clubs, bands and orchestras, that are managed or operated by the student body under the guidance and direction of adults, and are not part of the regular instructional program.

Extracurricular Fund (84) Fund used to account for student activities which are (a) conducted in whole or in part on behalf of an associated student body during or outside regular school hours and within or outside school grounds and facilities, and (b) is conducted with the approval and at the direction or under the supervision of the school district.

Face Value As applied to securities, the amount stated on the security document.

Fair Market Value Cash value, estimated realizable value of similar assets that are sold for cash, quoted market prices, or independent appraisals, etc., used to determine an asset's value.

Fidelity Bond Bond guaranteeing the school district against losses resulting from the actions of the treasurer, employees, or other persons of the district. See also Surety Bond.

Financial Accounting Recording and reporting of activities and events affecting the assets and liabilities of an administrative unit and its program. Specifically, it is concerned with: (l) determining what accounting records are to be used, (2) recording, classifying and summarizing activities or events, (3) analyzing and interpreting recorded data, and (4) preparing reports and statements which reflect conditions as of a given date, the results of operations for a specific period and the evaluation of status and results of operations in terms of established objectives.

Financial Accounting Standards Board (FASB) Created in 1973 to establish accounting principles.

Financial Reporting Pyramid GASB **Statement 1** organization plan for the Financial Section of the CAFR. The pyramid presents GAAP basic financial statements on three distinct and progressively more detailed reporting levels: (l) Combined Statements - Overview (the "liftable" GPFS); (2) Combining Statements - By Fund Type; and (where necessary or appropriate) (3) individual fund statements.

Fiscal Of or pertaining to finances in general.

Fiscal Period Any period at the end of which a school district determines its financial condition and the results of its operations and closes its books. It is usually a year, though not necessarily a calendar year. The fiscal period for Montana school districts is July 1 through June 30.

Fiscal Services Activities involved with managing and conducting the fiscal operations of the school system. Includes budgeting, receiving and disbursing, financial accounting, payroll, internal auditing and purchasing.

Fixed Assets Tangible assets of a relatively permanent nature with a significant cost and having an identity which does not change with use. Includes both real and personal property.

Fixtures Attachments to buildings which are not intended to be removed and which cannot be removed without damage to the buildings.

Food Services Activities for the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Full-Time Equivalence (FTE) Amount of employed time required in a part-time position expressed in proportion to that required in a full-time position, with "1.00" representing one full-time position. May be expressed as a percentage or as a fraction. Calculated by dividing the amount of employed time required in the part-time position by the amount of employed time required in a corresponding full-time position. Also see Personnel - Full-Time.

Function For expenditures, classification of a group of services aimed at accomplishing a certain purpose or end; for example, instruction (1000), supporting services (2000), debt service (5000), etc.

Fund An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Accounts All accounts necessary to set forth financial operations and financial conditions of a fund.

General Fixed Assets Fixed assets used in operations accounted for in governmental funds. General fixed assets include all fixed assets not accounted for in proprietary, Trust, and Agency Funds.

General Ledger Book, file or other device in which accounts are kept to the degree of detail necessary, that summarizes the financial condition and transactions of the school district. The general ledger contains a self-balancing group of accounts consisting of assets, liabilities, reserves, budgetary, fund balance, revenue and expenditure accounts.

General Long-Term Debt Long-term debt expected to be repaid from governmental funds. See LongTerm Debt.

Generally Accepted Accounting Principles (GAAP) Uniform minimum standards of and guidelines to financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative statement on the application of GAAP to state and local governments is GASB **Statement 1**. Every government should prepare and publish financial statements

in conformity with GAAP. The objectives or governmental GAAP financial reports are different from, and much broader than, the objectives of business enterprise GAAP financial reports.

Generally Accepted Auditing Standards (GAAS) Measures the quality of auditing procedures and the objectives to be attained through their use. They are concerned with the auditor's professional abilities and the judgment exercised in the performance of an audit. Generally accepted auditing standards have been prescribed by: (1) the American Institute of Certified Public Accountants (AICPA), and (2) the U.S. General Accounting Office (GAO) in **Standards for Audit of Governmental Organizations, Programs, Activities & Functions**.

General Purpose Financial Statements (GPFS) Those basic financial statements which comprise the minimum acceptable level of reporting constituting fair presentation in conformity with GAAP. As such, they constitute the minimum acceptable scope of independent annual GAAP audits. Under 1968 GAAFR, the GPFS included financial statements for each individual fund and account group maintained by a government. In **Statement 1**, the GASB redefined governmental GPFS to consist of financial statements for each of the fund types in use and for both account groups presented in separate adjacent columns on the financial reporting pyramid's five Combined Statements - Overview. See Basic Financial Statements, Combined Statements - Overview, Financial Reporting Pyramid, and "Liftable" General Purpose Financial Statements.

Governmental Accounting The preparation, reporting, and interpretation of accounts for governmental bodies.

Governmental Accounting, Auditing, and Financial Reporting (GAAFR) Unauthoritative illustrative application of GASB **Statement 1's** principles, published by the GFOA.

Governmental Accounting Standards Board (GASB) Body which sets standard accounting principles for state and local governments.

Governmental Finance Officers Association of the United States and Canada (GFOA) Professional association of state and local governmental financial managers.

Grant Contribution, either money or material goods, made by one governmental unit to another unit for which the contributing unit expects no repayment. Grants may be for specific or general purposes.

Guaranteed Tax Base Subsidy State money distributed to school districts to support a district's unfunded base amount of the General Fund when the district's guaranteed tax base ratio is less than the statewide guaranteed tax base ratio.

Imprest Fund Fund in which a fixed amount of money is set aside for a particular purpose. Disbursements are made from time to time as needed. At certain intervals, a report is rendered showing the amount disbursed, and the cash is replenished for the amount of the disbursements ordinarily by warrant drawn on the fund or funds from which the items are payable. The total of cash plus unreplenished disbursements must always equal the fixed sum of cash set aside. Petty cash funds should be managed using this procedure.

Improvements Buildings, other structures, and other attachments or annexations to land which increase the value and are intended to remain attached or annexed. Improvements are accounted for in the capital projects funds. Expenditures which do not meet these requirements are considered maintenance and are shown as an expenditure in the current period.

Indirect Expenditures Those expenditure elements that cannot be easily, obviously and conveniently identified with specific programs.

Individual Fund Statements The third of the financial reporting pyramid's three reporting levels containing GAAP basic financial statements. Such statements should be presented only when necessary or appropriate. Governments should not present physically separate individual fund financial statements which simply repeat information already presented in columns on the Combined Statements - Overview or Combining Statements - By Fund Type. Under **Statement 1**, physically separate individual fund statement formats are normally used only: (l) to present required individual fund budgetary comparisons; (2) to present prior-year comparative data; or (3) to present more detailed information than is presented for a fund.

Installment Purchase See Conditional Sales Contract.

Instruction Instruction includes the activities dealing directly with the teaching of pupils. Teaching may be provided for pupils in a school classroom, in another location such as in a home or hospital, and other learning situations such as those involving co-curricular activities; it may also be provided through some other approved medium such as television, radio, telephone computers and correspondence.

Instructional Materials Any devices, content materials, methods or experiences used for teaching and learning purposes. These include printed and non-printed sensory materials.

Interest A fee charged a borrower for the use of money. See also Debt Service.

Interfund Loan Temporary loan between funds to alleviate a temporary cash deficiency in the borrowing fund. Loans shall not be made from any fund to the detriment of any function or project for which the fund is established. A temporary loan is considered to be a loan which is completely liquidated in the same fiscal year.

Interfund Transfers Money which is taken from one fund under the control of the board of directors and added to another fund under the board's control. Interfund transfers are not revenues or expenditures of the school district.

Internal Auditing Pertains to activities involved with evaluating the adequacy of the internal control system; verifying and safeguarding assets; reviewing the reliability of the accounting and reporting system; and ascertaining compliance with established policies and procedures.

Internal Control Comprises the plan of organization and all of the coordinated methods and measures adopted within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. **Inventory** A detailed list showing quantities, descriptions and values of property, and frequently units of measure and unit prices. Inventory accounts are required if material. Amounts in the inventory accounts at year-end are not duplicated in the expenditures for the year reported.

Investments Securities or other property in which money is put at interest.

Invoice An itemized billing of merchandise shipped or services performed to a purchaser, consignee, etc., with the quantity, unit price, other charges and total cost.

Isolated School Elementary school of less than ten (10) ANB or a high school of less than twenty-five (25) ANB approved under section 20-9-302, MCA. Board of trustees may apply for approval by the county board of commissioners and the Superintendent of Public Instruction in accordance with the conditions prescribed

by statute. The formula for financing direct state aid differentiates between isolated and non-isolated elementary schools (20-9-303, MCA).

Journal Any form in which the financial transactions are formally recorded for the first time, such as the cash receipts journal, check register, and journal voucher.

Journal Entry See Entry.

Journal Voucher A paper or form on which the financial transactions of the school system are authorized and from which any or all transactions may be entered in the books. By means of the journal voucher, the budget may be put into operation and expenditures made to meet authorized obligations. Journal vouchers are also used to set up revolving funds and petty cash funds, and for authorizing all entries in the bookkeeping system for which no other authorizations, such as deposit slips, invoices, etc., are available.

Judgment An amount to be paid or collected by the school district as the result of a court decision.

Lapse As applied to appropriations, denotes the automatic termination of an appropriation.

Ledger See Appropriation Ledger and General Ledger.

Legal opinion An opinion on legality, rendered by an authorized official, such as an attorney general or prosecuting attorney.

Levy (l) To impose taxes or special assessments, (2) the total of taxes or special assessments imposed by a governmental unit.

Levy District Geographically discreet subset of taxing jurisdictions with uniform application of mill levies, whereas all property within a levy district should have exactly the same total mill levy.

Liabilities Debt or other legal obligations arising out of transactions in the past which are payable but not necessarily due. Encumbrances are not liabilities for GAAP accounting; they become liabilities when the services or materials for which the encumbrance was established have been rendered or received. For budgetary purposes, a district may record encumbrances as expenditures and reservation of fund balance. For preparation of financial statements in conformity with GAAP, encumbrances should not be included as expenditures.

"Liftable" General Purpose Financial Statements (GPFS) GASB Statement l's GPFS are designed to be "liftable" from the Financial Section of the comprehensive annual financial report (CAFR) for widespread distribution, along with an independent auditor's opinion, to users requiring less detailed information than is contained in the full CAFR. In order to be "liftable" the GPFS must include all disclosures necessary for their fair presentation in conformity with GAAP including certain specified disclosures related to individual funds. See General Purpose Financial Statements.

Liquidation Removal or reversal of an encumbrance amount as a result of the fulfillment or cancellation of a purchase order or contractual commitment.

Long-Term Debt Debt with a maturity of more than one year after the date of issuance.

Mandatory Levy Obligatory tax on the district or county, which is levied without special authorization of voters.

Maximum General Fund Budget Without a Vote Amount fixed by law for General Fund expenditures which may be budgeted without voted authorization (20-9-308, MCA).

Memorandum Account An informal record of a school district transaction that cannot be recorded under the regular financial accounts but for which a record is desired. For example, a district may chose not to record depreciation for general fixed assets in the GFAAG, but may wish to maintain a memorandum account to keep track of asset devaluation for replacement and repair purposes.

Mill Mill means literally 1/1000th. It is used to state the rate of taxation for property taxes. Thus a tax of 1 mill means a tax of $1 on each $1,000 of taxable property.

Mill Levy Actual tax rate levied by a taxing jurisdiction.

Miscellaneous District A taxing jurisdiction other than a county, city, or school district that taxes property on an add valorem (based on value) basis.

Montana Codes Annotated (MCA) Montana laws enacted by the state Legislature. Each section is designated by a number which specifies the Title-Chapter-Part; for example, 20-9-301 denotes Title 20, Chapter 9, Part 301. Title 20 involves most laws pertaining to Montana schools.

Municipal Finance Officers Association of the United States and Canada (MFOA) Professional association of state and local governmental financial managers. Now called Governmental Finance Officers Association (GFOA).

National Council on Governmental Accounting (NCGA) Reconstituted in 1974 to establish principles for state and local governmental accounting and financial reporting.

New School A school operating for the first time, for which a budget has been authorized as a result of compliance with minimum statutory requirements for opening a new school (20-6-502, 503).

Nominal Account An account opened and used during a single accounting period and then closed into fund balance. Revenue and expenditure accounts are nominal accounts.

Nonexpenditure Disbursements Disbursements which are not chargeable as expenditures. Instead, they are charged to a balance sheet account; for example, a disbursement made for the purpose of paying off an account payable previously recorded on the books.

Nonexpendable Trust Fund A trust fund, in which the principal must remain intact and may not be expended. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Also see Expendable Trust Fund.

Nonrevenue Receipts Additions to assets which either incur an obligation that must be met at some future date or change the form of an asset from property to cash and therefore decrease the amount and value of school property. Money received from sale of bonds and sale of property purchased with capital projects funds constitute most of the nonrevenue receipts.

Object of Expenditure (o/e) For an expenditure, a code which identifies the nature of the item purchased or service obtained; for example, payment for teachers' salaries may be coded to Regular salariesteachers, object of expenditure 112; supplies would be coded to object of expenditure 610.

Obligations Amounts which the governmental unit may be required legally to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

Operating Statement Statement summarizing the financial operations of a governmental unit for an accounting period.

Operating Transfers All nonresidual equity transfers between funds are classified as operating transfers and are included in operating statements. (Note: Such common transactions as reimbursement between funds **are not** interfund transfers for reporting purposes. Accounting procedures may require a journal entry called a transfer, but such procedures are not necessarily accounted for as "operating transfers.") See Residual Equity Transfers.

Other Financing Sources General long-term debt proceeds, operating transfers-in, and material proceeds of fixed asset dispositions. Such amounts are classified separately from revenues.

Other Financing Uses Governmental fund operating transfers out. Such amounts are classified separately from expenditures.

Payroll A list of individual employees entitled to pay, with the amounts due to each for personal services rendered. Payments are also made for such payroll-associated expenditures as federal income tax withholdings, retirement and social security.

Payroll Deductions and Taxes Payable Amounts deducted from employees' salaries for taxes required to be withheld and for other withholding purposes. See also Withholding.

Pension System Retirement plan in which persons leaving service in the educational system because of age, disability, or length of service receive payments from funds to which they have not contributed. Payments may be made either in a lump sum or in the form of an annuity. See also Retirement Fund System.

Periodic Inventory System in which additions of inventory are charged to expenditures when purchased, and the expenditure of materials used is determined by periodically subtracting the physical count from the sum of the opening inventory and purchases.

Perpetual Inventory System in which the inventory of property at any date may be obtained directly from the records without resorting to an actual physical count. A record shows each item or group of items in inventory and is divided to provide a cumulative record of goods ordered, received, and withdrawn and the balance on hand in units (and frequently also in value). Under both the periodic and perpetual systems, the inventory account is adjusted to the physical count of items at the end of the period.

Personal Property All fixed assets other than real property. Includes, for example, equipment, machinery, furniture, etc.

Personnel - Full-time Certificated employees who work the full number of days under local standard contract (assuming state minimum length of contract) or classified employees who work 2080 hours or more per year.

Personnel - Part-time Personnel who occupy positions the duties of which require less than full-time services. This includes those employed fulltime, for part of the school year, part-time for all of the school year, and part-time for part of the school year. See also Personnel - Full-time.

Rebates Abatements or refunds.

Recoverable Expenditures An expenditure made for or on behalf of another governmental unit or another fund within the district, and will subsequently be recovered in cash or its equivalent. See Reimbursement.

Refund (1) An amount paid back or credit allowed because of an over-collection or the return of an object sold; (2) to provide for the payment of a loan through cash or credit secured by a new loan.

Refunding Bonds A new issue of bonds large enough to retire an old issue. Refunding at maturity date is accounted for as a new issue of bonds, of which some proceeds are applied to payment of the previous obligation.

Register A record for the consecutive entry of a certain class of events, documents, or transactions, with a proper notation of all of the required particulars. The form of a register for accounting purposes varies from a one column to a multi-columnar sheet of special design whereon the entries are distributed, summarized and aggregated usually for convenient posting to the accounts.

Registered Warrant A warrant which is registered by the paying officer for future payment when there is a present lack of funds, and which is to be paid in the order of its registration. Such warrants are registered when issued. See also Warrant.

Reimbursement Cash or other assets received as payment of the cost of work or services performed, or of other expenditures made for or on behalf of another governmental unit or fund.

Remittance A disbursement warrant of a county treasurer, charged against a school district and made payable to a school district, another county treasurer or a fiscal agent.

Reopened School A school which was not in operation the previous year but for which a budget has been authorized for the current year as a result of compliance with statutory requirements for reopening (20-6-502 and 503, MCA).

Replacement Cost As of a certain date, cost necessary to purchase property which can render similar service (but which need not be of the same structural form) as the property to be replaced.

Requisition Written demand or request to the purchasing officer for specified articles or services. A requisition should include description, number of units and the estimated expenditure.

Reserve (l) Amount of money set aside in a fund to pay expenses between July 1 and the time revenues are received to support the expenditures, usually November 30. Reserves are authorized for the General Fund (01), Transportation Fund (10), Bus Depreciation Reserve Fund (11), Retirement Fund (14), Debt Service Fund (50), and the Building Reserve Fund (61). Reserves of funds may not be combined or used interchangeably. A reserve may be obtained by retaining cash at year end or by budgeting for it (20-9104, 20-10-144, 20-10-147, 20-9-501, 20-9-438, and 20-9-503, MCA).

Reserve for Debt Service Account used to segregate a portion of fund balance for resources legally restricted to the payment of general longterm debt principal and interest amounts maturing in future years.

Reserve for Encumbrances Account used to segregate a portion of a fund balance for an expenditure upon vendor performance.

Reserve for Inventory An account used to segregate a portion of fund balance to indicate that inventories of supplies do not represent "available spendable resources."

Residual Equity Transfers Nonrecurring or nonroutine transfers of equity between funds. Residual equity transfers are reported as direct additions to or deductions from beginning fund balances. See Operating Transfers.

Retirement Fund System Plan in which a fund or money, built up through contributions from participants and other sources, is used to make regular payments to those who retire from service in the educational system by reason of age, disability or length of service. See also Pension System.

Revenue Additions to the assets of a fund during a fiscal period that is available to finance the fund's expenditures during the fiscal period. Revenue does not accompany the increase of liabilities or represent refunds of previous disbursements. Revenue may be in the form of cash or in the form of noncash assets such as donated commodities. See Revenue Accruals.

Revenue Accruals Revenue anticipated to be received in cash after the close of the fiscal period. See Revenue.

Revenue Anticipation Note (RAN) Notes issued by the school district to receive money in exchange for a promise to make repayment at a later date from anticipated revenues. The revenue anticipated to be received at a later date includes taxes, grants and the proceeds from the sale of bonds.

Revenue. Deferred See Deferred Revenues.

Revenue Receipts Additions to assets which do not incur an obligation or represent exchanges of property for money.

Revolving Fund Fund provided to carry out a cycle of operations. Amounts expended from the fund are restored from earnings from operations or by transfer from other funds so that it remains intact, either in the form of cash, receivables, inventory or other assets. Funds are also known as "reimbursable funds," or " petty cash funds." See also Imprest Fund.

SCFA See Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets.

SCLTL See Schedule of Changes in Long-Term Liabilities.

Salary Total amount regularly paid or stipulated to be paid to an individual, before deductions, for personal services rendered while on the payroll of the school district. Payments for sabbatical leave are also considered as salary.

Schedules (l) The explanatory or supplementary statements that accompany the balance sheet or other principal statements periodically prepared from the accounts. (2) The accountant's or auditor's principal work papers covering his examination of the books and accounts. (3) A written enumeration or detailed list in orderly form.

Schedule of Changes in Fixed Assets, Depreciation, and Net Fixed Assets Used to track additions, deletions, and depreciation of fixed (capital) assets, except fixed assets related to fiduciary funds.

Schedule of Changes in Long-Term Liabilities Used to track additions and reductions of long-term liabilities, except long-term liabilities related to fiduciary funds.

School Institution for the education of children that is established and maintained under the laws of Montana at public expense (20-6-501, MCA).

Elementary school Comprised of any combination of programs from preschool through eighth grade or their equivalents.

Junior High school Comprises seventh, eighth, and ninth grades and has been accredited as a junior high school.

Middle school Comprises fourth through eighth grades, or some combination of those grades, and is either accredited as a middle school by the Board of Education (20-9-311, MCA), or has enriched program offerings for seventh and eighth grades and is approved for special funding (20-9-312, MCA). Both types of middle schools are eligible for special funding.

High school Comprised of one or more grades between elementary school and institutions of higher education. A senior high school comprises the work of grades 10 - 12 and is operated in conjunction with a junior high school; a 4-year high school comprises the work of grades 9 - 12 (20-6-501, MCA).

School Bus See "Specifications for School Buses", published by the Superintendent of Public Instruction.

School Fiscal Year The year beginning July 1 and ending June 30.

School Year With reference to the school term, often considered the number of days that school is in session. The statutory requirement is that school be in session at least 180 days during any school fiscal year (20-1-301, MCA).

School Site The land and all improvements to the site, other than structures, such as grading, drainage, drives, parking areas, walks, plantings, play courts and playfields.

Securities Bonds, notes, mortgages or other forms of negotiable or nonnegotiable instruments.

Serial Bonds Issues redeemable by installments, each of which is to be paid in full, ordinarily out of revenues of the fiscal year in which it matures, or revenues of the preceding year. These are to be expended as they mature.

Special (miscellaneous) District A taxing district other than a county, city, or school district, except that it uses a base other than ad valorem for taxation.

Special Improvement District (SID, RID, RSID) Entities with fees or taxes (levied on users) to fund infrastructure. Most often used to provide street lighting, sidewalks, curbs, paved street, sewer connections of other site-specific improvements.

State Equalization Aid Revenues as required for distribution to public schools for equalization under Section 20-9-343, MCA.

State Equalization Level (also state equalization percentage). The proportion of the total financial requirements of all the schools' base funding programs which is achieved by all revenues intended for the

purpose, the basic county levy for elementary schools, the basic county levy for high schools, and revenues from state equalization aid.

State Impact Aid State payments to school districts for pupils whose parents are employees and residents of certain state institutions; not required to be used to finance the district's base funding program (20-9-304, MCA).

Statement of Changes in Financial Position Basic financial statement (for proprietary funds, Nonexpendable Trust Funds), which presents information on the amount (but not necessarily the nature) of the sources and uses of an entity's cash or working capital during an accounting period in conformity with GAAP.

Statement of Financial Condition Statement which discloses the assets, liabilities, reserves and equities of a fund or governmental unit at a specified date properly classified to exhibit financial position of the fund or unit at that date. Note: If a single statement is prepared for several funds, it must be in columnar or sectional form as to exhibit the accounts of each fund. See Balance Sheet.

Statutory Pertaining to a legislative enactment; established by law.

Stores Goods on hand in warehouses and storerooms, subject to requisition.

Student - Full-Time An individual student enrolled full time on each of the prescribed count days for the school year. A full time student must be enrolled to attend school for a given number of hours each day pursuant to A.R.M. 10.20.102(7).

Subsidiary Accounts Related accounts which support in detail the summaries recorded in a controlling account.

Supply A material item of an expendable nature that is consumed, worn out, or deteriorated in use; or one that loses its identity through fabrication or incorporation into a different or more complex unit or substance. Instructional materials are not included here. Supplies are recorded as object 610 in the expenditure coding system.

Surety Bond Written promise to pay damages or indemnify against losses caused by the parties named in the document, through nonperformance or through defalcation; for example, a surety bond given a contractor or by an official handling cash or securities.

Suspense Account Account which carries charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted.

Tax Increment Finance District A special taxing jurisdiction that receives the revenues from all other taxing jurisdictions (except the university mill levy) within its boundaries attributable to the increment value. The increment value is the difference between the current value of the taxable property and the base value. Essentially, the increment value is the growth in taxable property since the district was established.

Tax Rate Amount of tax stated in terms of a unit of the tax base; for example, $1.75 per thousand dollars of assessed valuation.

Taxes Compulsory charges levied by a governmental unit to finance services performed for the common benefit. Does not include special assessments.

Taxes Receivable An asset representing the uncollected portion of taxes which a governmental unit has levied.

Taxing Jurisdiction A government subdivision with the authority to tax, such as state, county, city, school district, miscellaneous district, and tax increment finance district. Examples of tax jurisdictions include, but are not limited to: County Wide, County Road Fund, City of Helena, Cnetral #2 Elementary School, Great Falls High School, Wild Rose Fire District #5, City of Missoula Transit District, etc.

Textbooks Books obtained primarily for use in certain classes, grades or other particular student groups rather than for general school use.

Trade Discount An allowance, usually varying in percentage with volume of transactions, made to those engaged in certain businesses and allowable regardless of the time when the account is paid. The term should not be confused with "cash discount."

Trial Balance List of balances of accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a controlling account, the ledger from which the figures are taken is said to be in "balance."

Trust Funds Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds. The Endowment Fund (81) and TrustMiscellaneous Fund (85) are trust funds. See Nonexpendable Trust Fund and Expendable Trust Fund.

Unamortized Discount on Bonds Payable Portion of the excess of the face value of bonds over the amount received from their sale which remains to be written off periodically over the life of the bonds.

Unamortized Premiums on Bonds Payable In an Enterprise Fund, the portion of the excess of bond proceeds over face value, which remains to be amortized over the remaining outstanding life of the bonds.

Unearned Revenue Receipts which may result in additions to revenues in future periods. Unearned revenue is recorded as a liability since the revenues are received before they become due.

Unencumbered Balance of Appropriation Portion of an appropriation or allotment not yet expended or encumbered; the balance remaining after deducting from the appropriation or allotment, the accumulated expenditures, and outstanding encumbrances.

Unexpended Balance of Appropriation Portion of an appropriation (budget) not yet expended; the balance remaining after deducting the accumulated expenditures from the appropriation.

Unliquidated Encumbrances Encumbrances outstanding. See also Encumbrances and Liquidation.

Unqualified Opinion An auditor's opinion which states that the basic financial statements of a specified entity are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). Fair presentation implies consistent accounting methods are used between years.

Unreserved Fund Balance The excess of the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves and appropriations for that period.

Voucher A document which authorizes the payment of money and indicates the accounts to be charged.

Vouchers Payable Liabilities for goods and services received as evidenced by vouchers which have been approved for payment but which have not been paid.

Warrant Written order drawn by the school board or its authorized officer directing the county treasurer to pay a specific amount to a designated payee.

Warrant Interest Interest expenditure on registered warrants.

Warrants Outstanding Total amount of unpaid warrants. Also referred to as warrants payable.

Withholding Process of deducting from a salary or wage payment an amount, specified by law or regulation, representing the estimated federal or state income tax of the individual that the employer must pay to the taxing authority. See also Payroll Deductions and Taxes Payable.

Work order Written order authorizing and directing the performance of a certain task, issued to the person who is to direct the work. Information shown on the order includes the nature and location of the job, specifications of the work to be performed, and a job number which is referred to in reporting the amount of labor, material and equipment.

APPENDIX E

GASB—Classification of Cash/Investments Allowed by Montana Statutes (Valuation Under GASB 31)

Description	Legal Source	Internal Pools	External Pools
Cash on Hand	N/A	Cost Based Measure	Cost Based Measure
Demand Deposits	Setion 7-6-205, MCA	Cost Based Measure	Cost Based Measure
Savings Deposits	Section 7-6-201(2), MCA	Cost Based Measure	Cost Based Measure
Negotiable Certificates Certificates of Deposit	Section 7-6-201(2), MCA	Fair Value (BASB 31 Para. 8)	Fair Value (GASB 31, Para. 8)
Non-Negotiable Certificates of Deposit	Section 7-6-201(2), MCA	Cost Based Measure	Cost Based Measure
Repurchase Agreements	Section 7-6-201(2) and 7-6-213, MCA	Cost Based Measure	Cost Based Measure
Reverse Repurchase Agreements	Section 7-6-201(2) and 7-6-213, MCA	Cost Based Measure	Cost Based Measure
U.S. Treasury Bills	Section7-6-201(1)(a), MCA	Amortized cost (GASB 31, Para. 9)	Amortized Cost (GASB 31, Para. 9)
U.S. Treasury Notes	Section 7-6-202(1)(a), MCA	(a) Fair Value (GASB 31, Para 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or less. (GASB 31, Para. 9)	(a) Fair Value (GASB 31 Para. 7), (b) May report short-term debt invest-ments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
U.S. Treasury Bonds	Section 7-6-201(1)(a), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or less. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debe invest-ments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
State and Local Government Series (SLGS)	Section 7-6-202(1)(a), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt invest-ments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)

Source: Department of Commerce, Local Government Services

GASB—Classification of Cash/Investments Allowed by Montana Statutes (Valuation Under GASB 31)

Description	Legal Source	Internal Pools	External Pools
Separate Trading of Registered Interest & Principal of Securities (STRIPS)	Section 7-6-202(1)(a), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Interest Only STRIPS (IOS)	Section 7-6-202(1)(b), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Principal Only STRIPS (POS)	Section 7-6-202(1)(b), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Federal Home Loan Bank (FHLB)	Section 7-6-202(1)(c), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Federal National Mortgage Assoc. (FNMA) (Fannie Mae)	Section 7-6-202(1)(c), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining

		1 year or lett. (GASB 31, Para. 9)	maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)

Source: Department of Commerce, Local Government Services

GASB—Classification of Cash/Investments Allowed by Montana Statutes (Valuation Under GASB 31)

Description	Legal Source	Internal Pools	External Pools
Federal Home Mortgage Corp. (FHLMC) (Freddie Mac)	Section 7-6-202(1)(c), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Federal Farm Credit Bank	Section 7-6-202(1)(c), MCA	(a) Fair Value (GASB 31, Para. 7), (b) May report at amortized cost if remaining maturity at purchase is 1 year or lett. (GASB 31, Para. 9)	(a) Fair Value (GASB 31, Para. 7), (b) May report short-term debt investments with remaining maturity of up to 90 days at financial statement date amortized cost. (GASB 31, Para. 16)
Money Market Mutual Funds (Open End)	Section 7-6-202(3), MCA	Fair Value (current share price) (GASB 31, Para. 10)	Fair Value (current share price) (GASB 31, Para. 10)
Short-Term Investment Pool (STIP) (2a7 - LIKE)	Section 7-6-202(6), MCA	Share Price (GASB 31, Para. 12)	Share Price (GASB 31, Para. 12)
External Investment Pool (NON - 2a7 - LIKE)	N/A	Fair Value per share of pool's underlying portfolio (GASB 31, Para. 11)	Fair Value per share of pool's underlying portfolio (GASB 31, Para. 11)
External Investment	N/A	Share Price	Fair Value

Pool (2a7 - LIKE)		(GASB 31, Para. 12)	(Shaire Price) (GASB, Para. 12)

Source: Department of Commerce,
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