OPI MEDLEY

Presented by the School Finance Team

OFFICE OF PUBLIC INSTRUCTION
ELSIE ARNTZEN, STATE SUPERINTENDENT
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Putting Montana Students First

BUDGET AMENDMENTS

WHAT IS A BUDGET AMENDMENT AND WHY WOULD I NEED ONE?

- It is an amendment to the adopted budget of a district as per 20-9-161, MCA for the following reasons:
  - An increase in the enrollment – Significant Enrollment Increase (**NEW**)
  - Destruction or Impairment of school property
  - Court judgment for damages against the district
  - Enactment of legislation after the adoption of the current budget
  - Deferred projects to be funded from receipt of prior year protested taxes, tax audit or delinquent taxes
  - Unforeseen need of the district that cannot be postponed until the next school year without dire consequences affecting the safety of the students and employees or the educational functions of the district.

POSSIBLE FUNDING SOURCES FOR A BUDGET AMENDMENT

1. Reserves
2. Transfers
3. Cash on hand
4. State Payments (SEI)

SIGNIFICANT ENROLLMENT INCREASE (SEI) BUDGET AMENDMENTS **NEW**

- By December 1st following the October enrollment count, the OPI determines the school districts that qualify for a SEI payment.
- By December 15th of each year, the OPI must notify schools of their eligibility for an SEI payment.
- No later than March 1st, the trustees of an SEI payment qualifying district are to notice OPI of acceptance of all or partial amount of the allowable SEI payment and have a budget amendment adopted. Sending the adopted budget amendment to OPI will serve as your notice of acceptance.
- Once received the OPI will assign a project reporter code number and notify the district.

OTHER BUDGET AMENDMENTS

- May be adopted anytime before June 30th.
  - 1st the Trustees will proclaim the need. The Proclamation must be sent to the county superintendent and the county commissioners.
  - 2nd Public Notice must happen not less than one week before the adoption of the budget amendment. Notice to be published one time in the newspaper, posted at each school of the district and delivered to the county superintendent and county clerk.
  - 3rd Trustees adopt the budget amendment by majority vote. Adopted budget Amendment must be sent to the OPI within 30 days after adoption.
  - Once received the OPI will assign a project reporter code number and notify the district in writing.

BUDGET AMENDMENT GUIDANCE AND RESOURCES

Always available on the School Finance webpage!*

Budget Amendment Guidance Packet

Guidance

Examples

Regulations

Contact Us!

- Laci Novark, Budget Analyst
  - (406) 444-4401
  - Laci.Novark@mt.gov
- Alivia Skeslien-Jenkins, Budget Analyst
  - (406) 444-1964
  - Alivia.Skeslien-Jenkins@mt.gov

**opi.mt.gov/Leadership/Finance & Grants/School Finance/Budgets/Budget Spreadsheets & Guidance/Budget Amendment Packet*

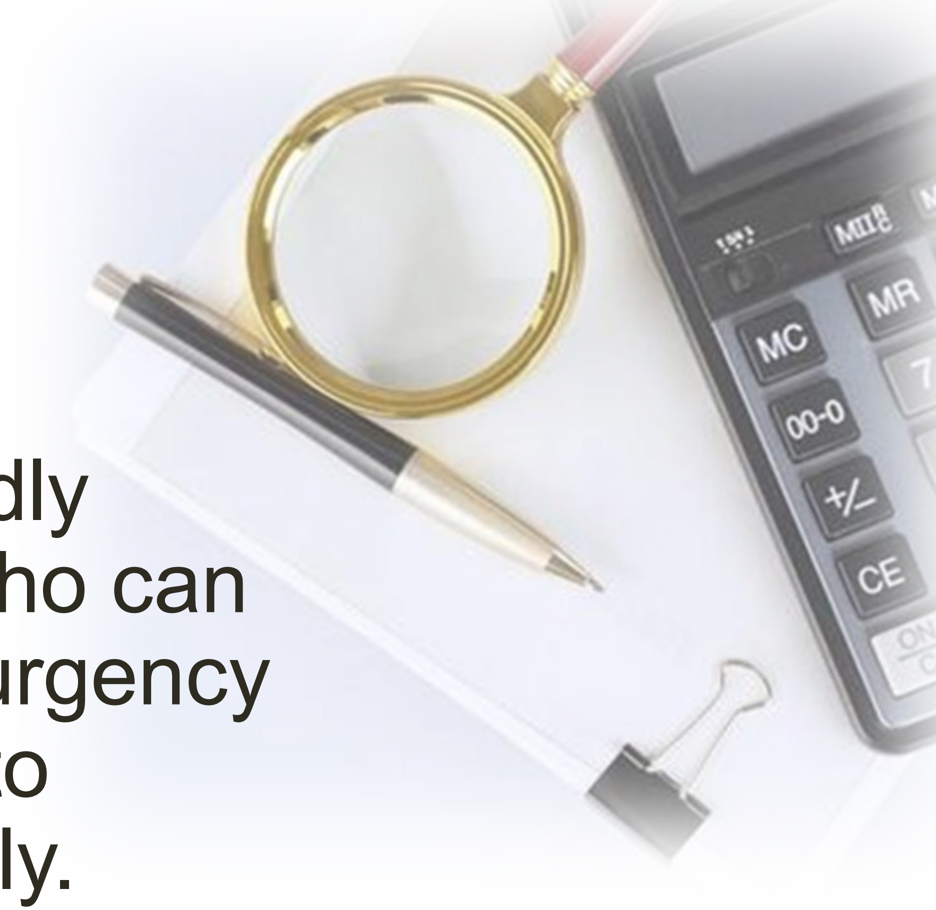
AUDIT FINDINGS

Over the last four years:

- Inadequate segregation of duties
- Activity fund procedures and internal controls
- Cash related findings – overdrafts, deposits, reconciliations


PROTECTING
YOUR SCHOOL
FRAUD

SCENARIO 1



An email comes to the clerk, allegedly from a person that is an authority who can approve payments. The email has urgency to the message that asks the clerk to transfer a sum of money immediately.

What action would you take?

SCENARIO 1 – WHAT DID HAPPEN?

The clerk had recently done security training, and despite the urgency of the message they took the time to review the details.

Looking closer, the clerk realized that the email was fraudulent:

- The email should have been schoolclerk@montana.edu, but it was schoolclerk@montana.us.com
- The clerk had spoken with the sender a few times before, and the tone was very unusual in its urgency.
- The amount requested was unusual for the school in question.
- The email didn't specify to what fund or budget this request was related.

The clerk called the supposed sender using the official contact information on the school's website. The sender confirmed that they had not sent that email, and the clerk reported it as fraudulent. The early report prevented further attacks.

SCENARIO 2 – FRAUDSTERS ARE GETTING CREATIVE

A payroll notice comes to the clerk asking to change a teacher's account immediately. It might even say that it is due to a problem with the account and if the change is not made, the employee will not get paid.

It is a very busy day and payroll is due. In fact, payroll should have been submitted already.

What would you do?

SCENARIO 2 – WHAT DID HAPPEN?

The payroll clerk made the change due to the time pressure. When the payment was made, it went to the new account. As soon as the payment was credited to the account, it was immediately transferred away by the fraudster. When the teacher asked why there was no payroll for this pay period, it was discovered the requested change was fraudulent and the money was not able to be recovered.

SCENARIO 3 – FRAUDSTERS ARE EVEN MORE CREATIVE

A school account has been compromised but no one is yet aware. A fraudster has obtained the school's bank routing and account information.

The scheme is a website where a "client" can purchase items at reduced prices. This website is controlled by the Fraudster.

For example, a third-party person wants to purchase car parts. They research and find the part normally costs $1,000, but then find a website where the same product is only $700. They purchase the part, and it is received. The third-party person does not suspect any wrongdoing.

SCENARIO 3 – WHAT DID HAPPEN?

Behind the scenes, is the fraudster charged the school account $1,000 for the part and charged the third-party person $700.

The fraudster comes out $700 ahead without using any of their own funds.

The school unknowingly paid for the part. In addition, the monthly reconciliation was not completed and the transaction was not reported to the bank timely.

IDEAS FOR FRAUD PREVENTION

- Protect confidential information.
- Always ensure proper approval is received, especially for unusual transactions.
- Ensure your school has regular technology and security training.
- Monthly reconciliations are important and should be performed timely.


PUBLIC
CHARTER
SCHOOLS
Starting
July 1, 2024

PUBLIC CHARTER SCHOOLS

❖Public charter schools are established as:

1) public charter schools, or
2) public charter districts

PUBLIC CHARTER SCHOOLS

20-6 PART 8, MCA

Provide additional educational opportunities

- The board of public education:
  - accepts charter school applications,
  - reviews the required elements of charter applications,
  - approves the new charters
  - details the requirements of reporting, enrollment, performance measures, and governance
  - enters into contract with the new charters

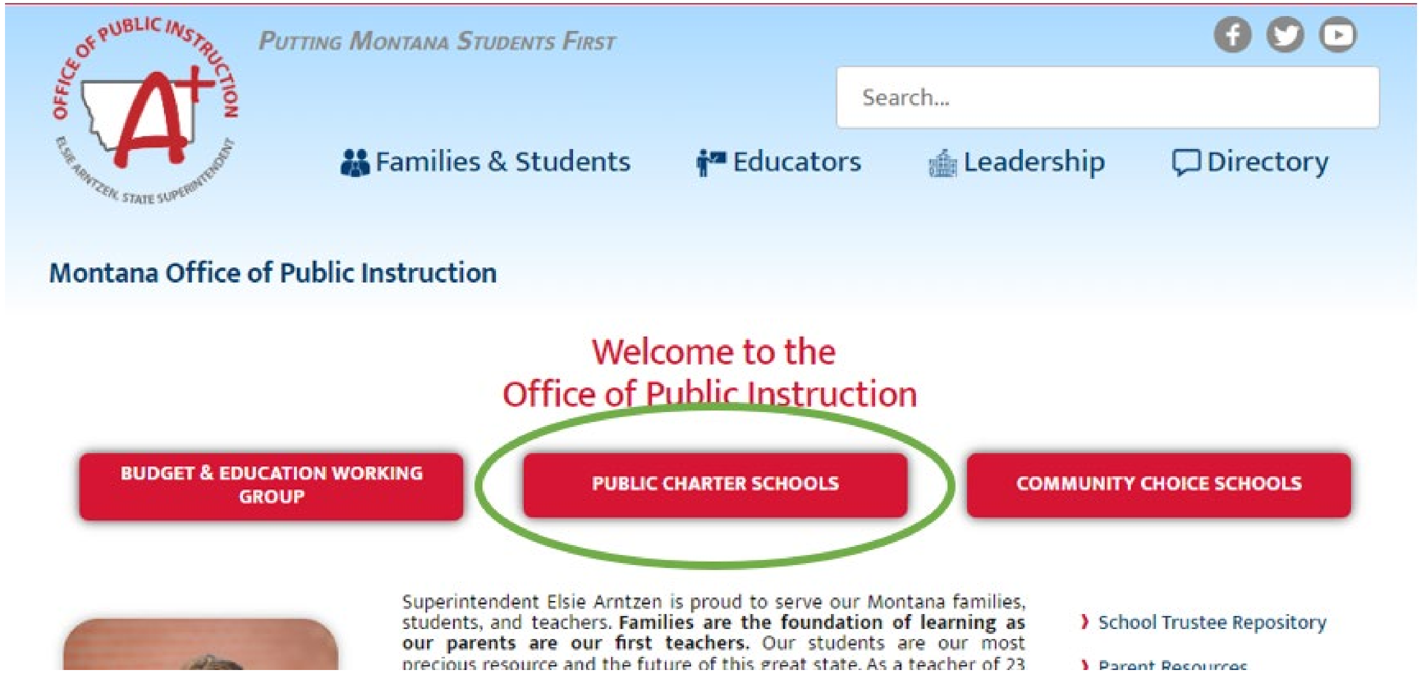
PUBLIC CHARTER SCHOOLS

- What the OPI does:
  - Collects the data for the school opening process
  - Creates school codes as per the school's request and the BPE approved application
  - Creates the necessary budget units
  - The budget units are the mechanism that establishes funding

PUBLIC CHARTER SCHOOLS

Resources Available:

- Information is readily available on our Charter Schools Page
  - Includes Guidance document, current schools completed, bill information, quick links to program information, and more!
- Easily accessible from the main OPI page!



EXPENDITURES

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DETAILED EXPENDITURES

January 31,2024 the USED expanded the mandatory reporting requirements for detailed expenditures. We have been granted an extension for the reporting until the FY2025 TFS.

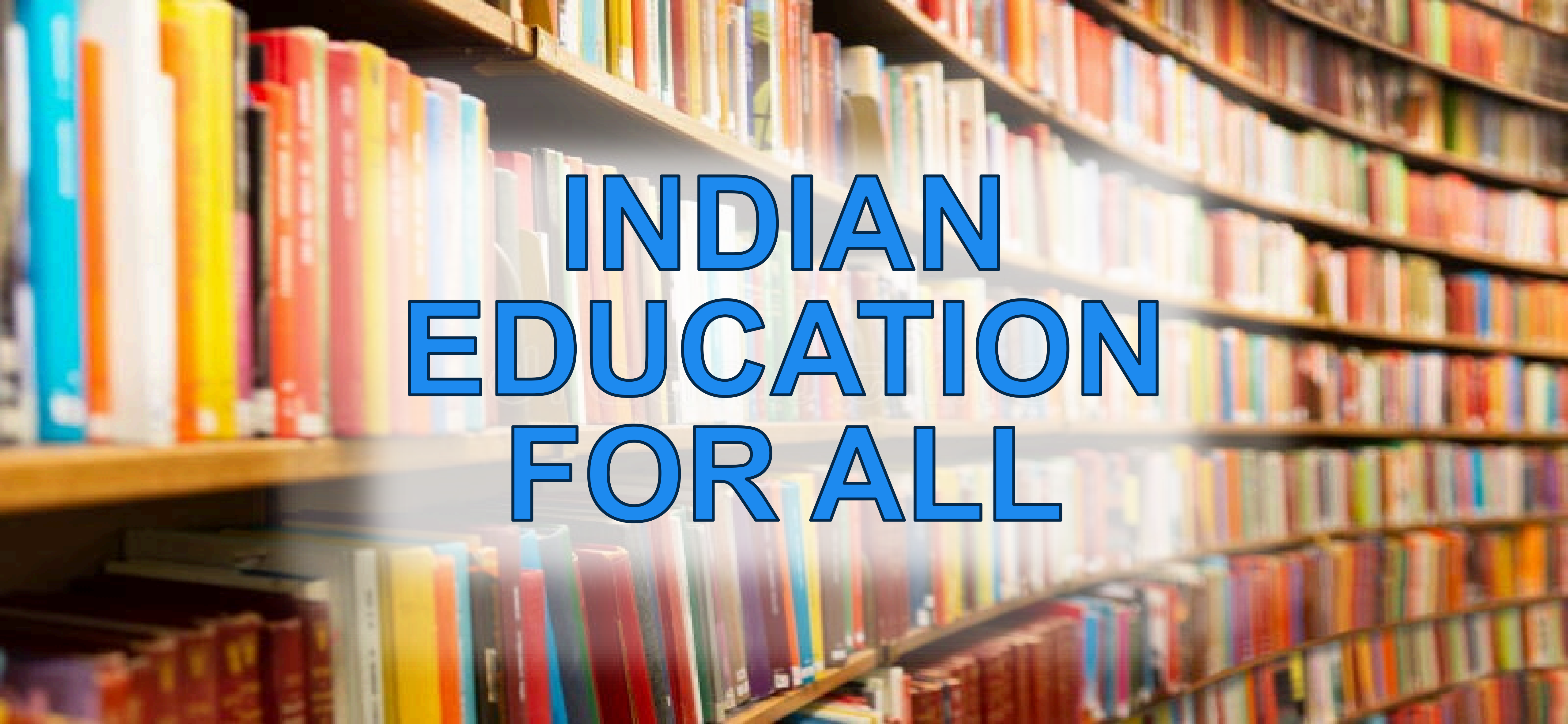
The following exhibits will need to be reported by school code starting with the FY2025 TFS reporting.

- Teacher Salaries (function 1XXX: Objects 112)
- Instructional Aid Salaries (function 1XXX: Object 117)
- Books and Periodicals (function 1XXX and object 640 & 650)

DETAILED EXPENDITURES

Local accounting systems will need to be altered to allow for this change in data reporting.

It is recommended that accounting software vendors and local school districts consider these adjustments for FY2025.



INDIAN EDUCATION FOR ALL

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INDIAN EDUCATION FOR ALL

This applies to the FY2024 TFS reporting requirements. So, the TFS you are submitting in late Summer.

During the FY2024 TFS annual reporting districts need to report all IEFA expenditures in **Fund 01** under **program code 365**. Only expenditures using this code will count towards the requirements under 20-9-329, MCA.

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INDIAN EDUCATION FOR ALL

How to Report on the TFS

- Under Step 7 of the TFS reporting screen, report expenditures by uploading a csv file or by entering the expenditures by hand.
- Make sure expenditures use program code 365 when you complete your report. To maintain full funding in the ensuing year, you need to have spent at least the full amount of IEFA revenue on applicable expenses.

Find guidance at the School Finance Accounting webpage under "Guidance and Manuals"

INDIAN EDUCATION FOR ALL

When doing your nonfiscal reporting make sure you are providing answers to the following:

- A detailed description of instruction provided to certified personnel and students and,
- How this instruction was developed cooperatively with the advice and assistance of Montana tribes

For nonfiscal reporting purposes, please see the following link on reporting guidelines: Reporting Guidelines.

PROGRAM CODES

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PROGRAM CODES

- A three-digit number that serves as a way to identify that the expenditure is tied to a specific revenue code
- Usually 3XX for State programs
- 4XX for Federal programs

IMPORTANCE OF PROGRAM CODES

Proper use helps avoid:

- Loss of funding (IEFA, SPED Reversion, Maintenance of Effort)
- Inaccurate federal reporting done by the OPI
- Lack of expenditure tracking for certain programs (Transformational Learning, Advanced Ops)

FYI: MAEFAIRS looks to the program codes for expenditure tracking

CODING RELATIONSHIPS*

Description	Program Code	Revenue Code
SRSA/REAP	412	4120
Title 1 Basic	420	4200
Data for Achievement	316	3116
Montana Digital Academy	325	3250
Transformational Learning	376	3760

*Sometimes not always

FUND RESERVES
A GENERAL OVERVIEW

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STEP 1. FUND BALANCE

Cash balance in a fund at end of the year:

Beginning Fund Balance
+ Current Year Receipts
- Current Year Expenditures
Ending Fund Balance

FUND BALANCE: WHAT ARE MY OPTIONS?

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<u>Reappropriate</u>

- Reduces revenue requirements in the next year's budget, can lesson the burden on taxpayers
- Increase budget in some funds
- Mandatory after reserves are maximized

FUND BALANCE: WHAT ARE MY OPTIONS?

<u>Reappropriate</u>

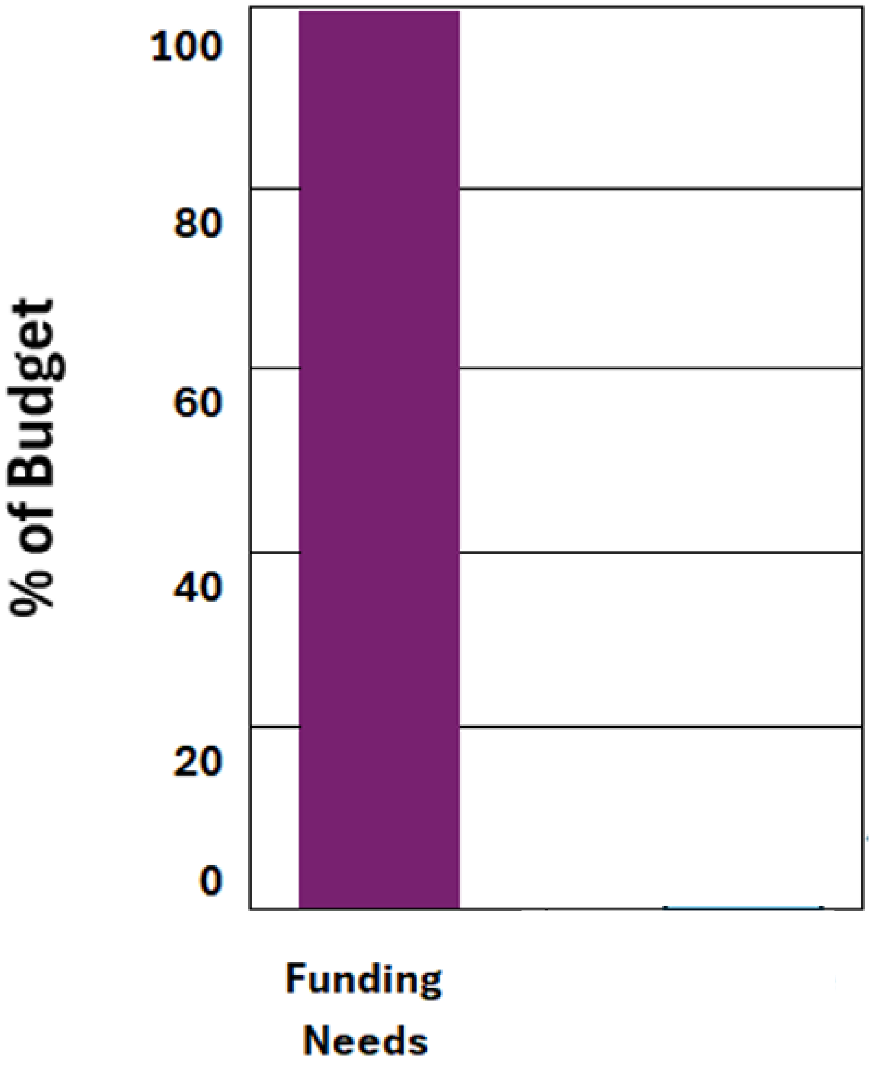
- Reduces revenue requirements in the next year's budget, can lesson the burden on taxpayers
- Increase budget in some funds
- Mandatory after reserves are maximized

OR

<u>Reserve</u>

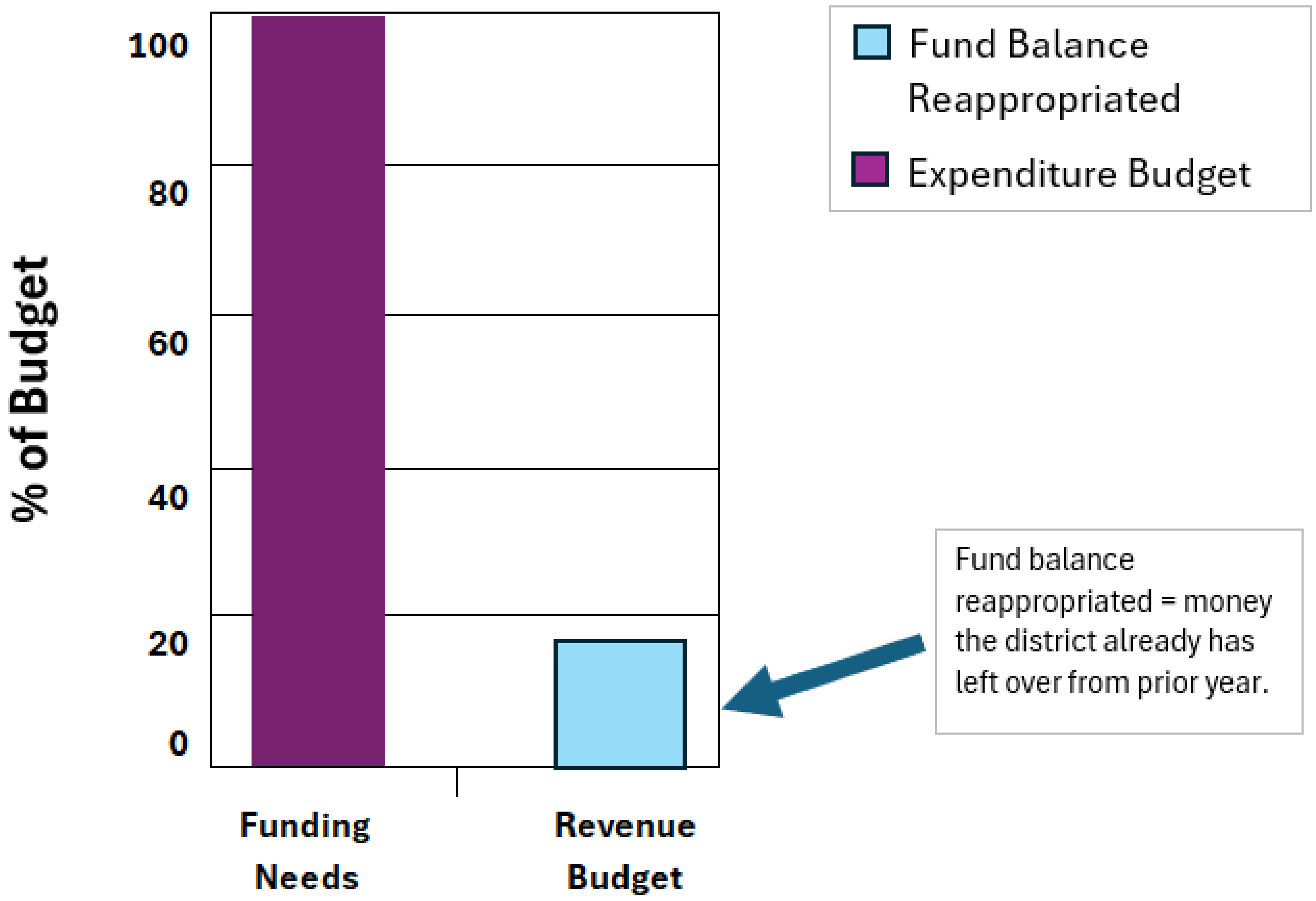
- Keep as operating reserve to cover expenses in the months when revenue is not as flush. (July 1-Nov 30)

FUND BALANCE REAPPROPRIATED



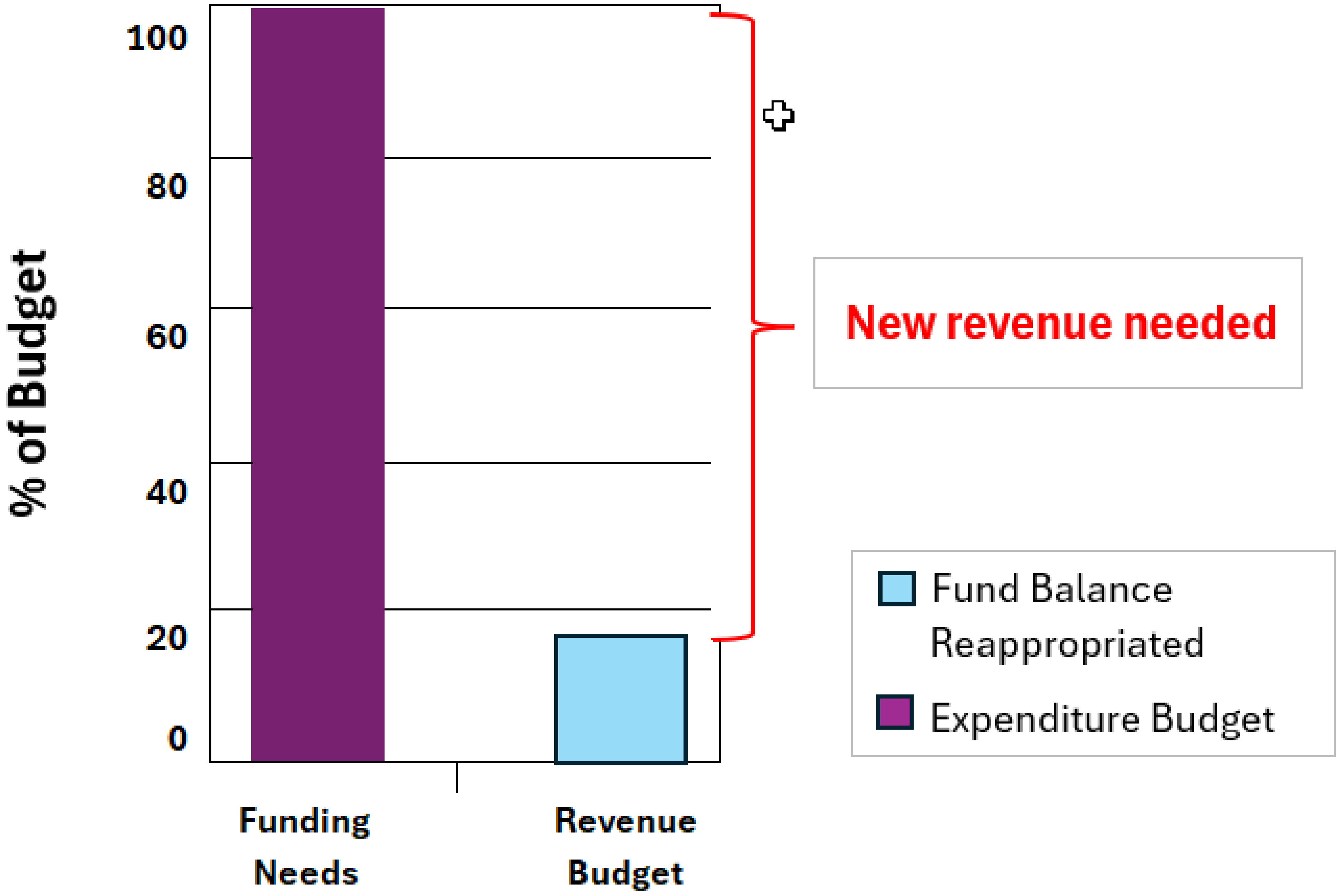
Expenditure Budget

FUND BALANCE REAPPROPRIATED

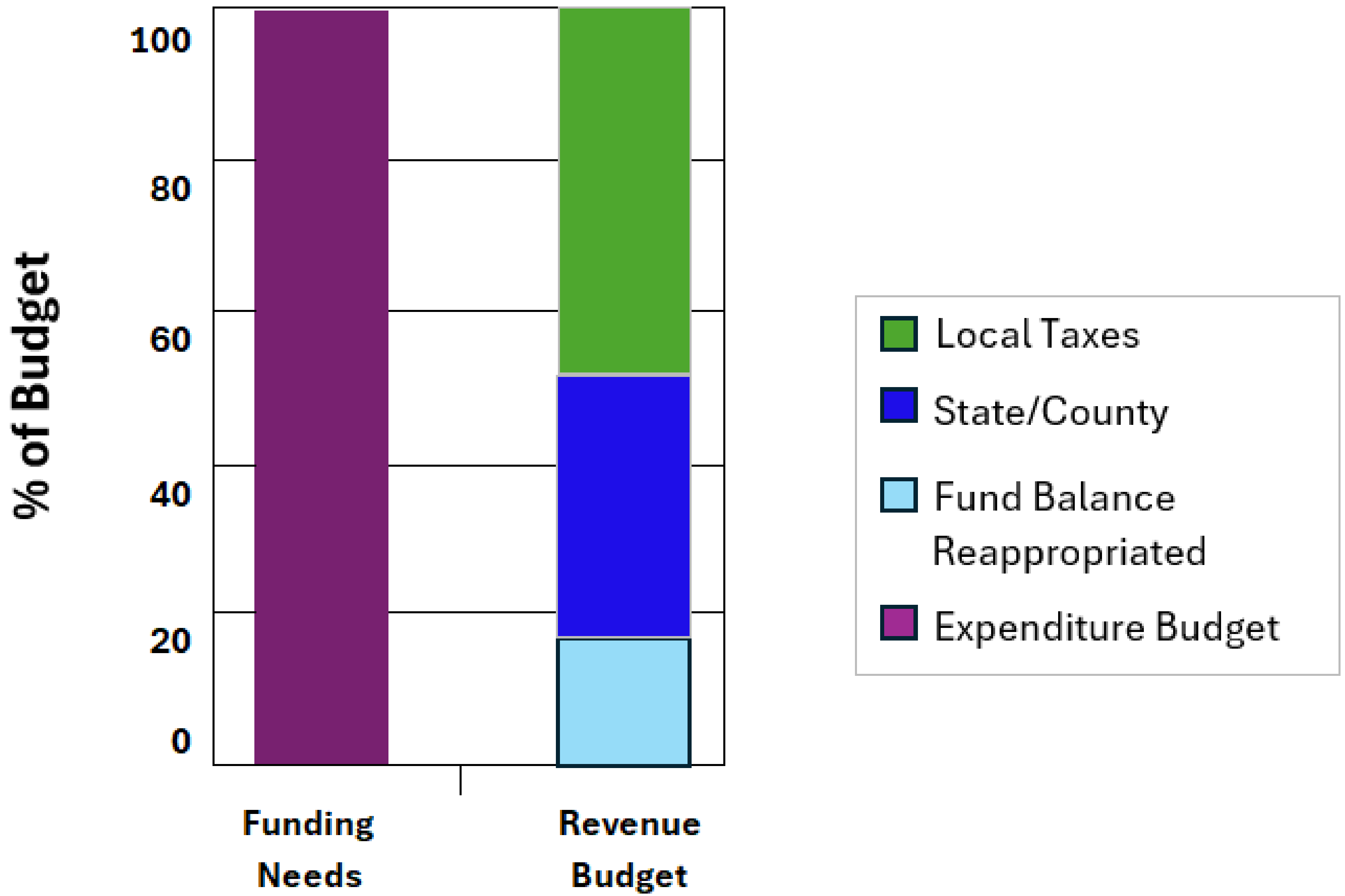


Fund balance reappropriated = money the district already has left over from prior year.

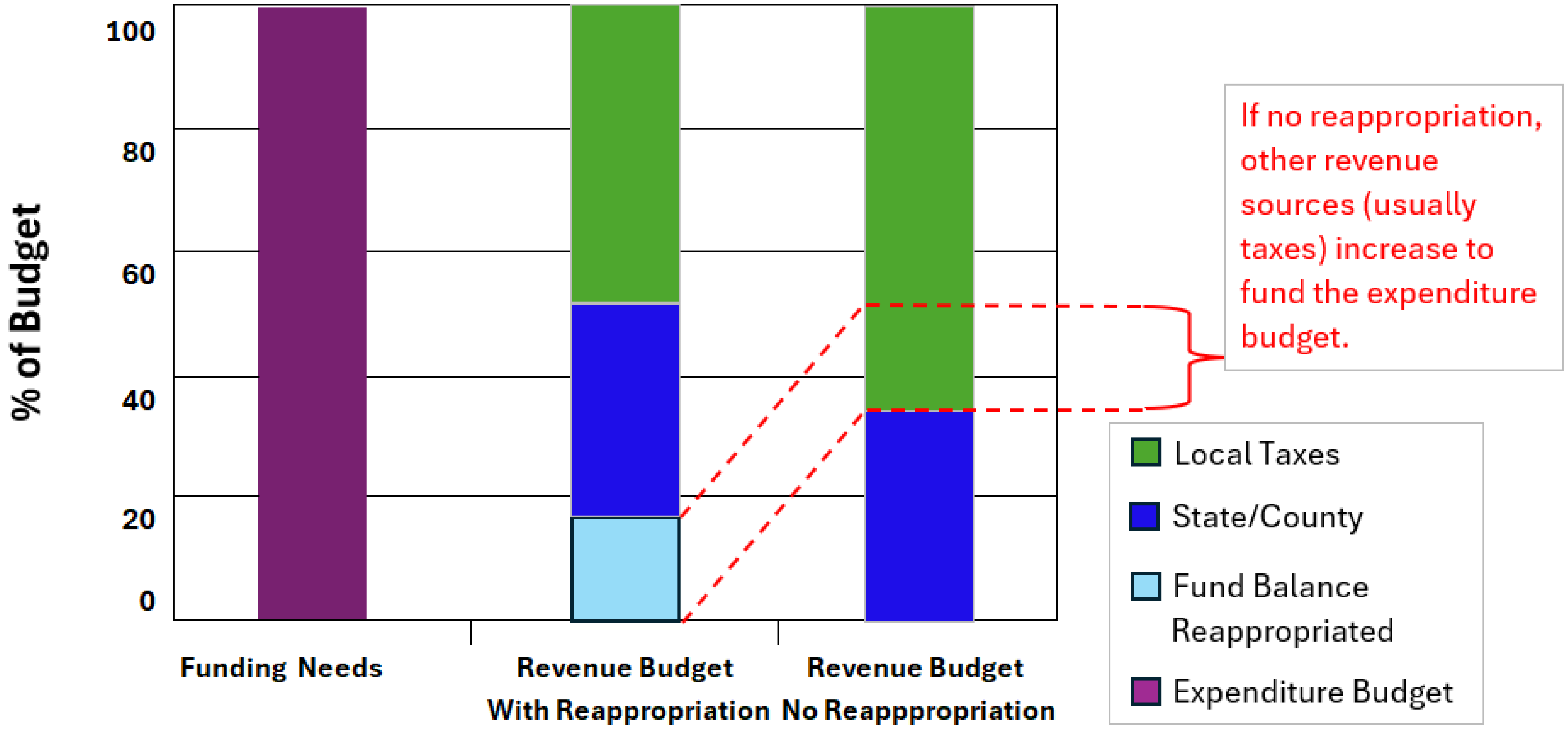
FUND BALANCE REAPPROPRIATED



FUND BALANCE REAPPROPRIATED



FUND BALANCE REAPPROPRIATED



FUND BALANCE REAPPROPRIATED

or Reserves?

RESERVES: CASH BALANCES KEPT FOR FUTURE USE

- Cash flow
  (example: operating capital until taxes materialize)

- Revenue shortfalls
  (example: make up for delinquent taxes)

- Budget amendments
  (depletes the reserve but is emergency available)

Maximum Reserves Example

FY 25 General Fund Budget	$ 1,000,000
Operating Reserve Limit	x 10%
Maximum Operating Reserve	$ 100,000

Fund balance in excess of $100,000 at end of FY24 **MUST*** be reappropriated (used in place of new revenue in FY25 budget)

***Exception: Excess Reserves**

GF Reserve & Fund Balance Example

FY24 Year End

Fund Balance $115,000

FY25 Budget Year

Adopted Budget $1,000,000

Reserve Limit 10% or $100,000

Reserve $100,000

Adopted Budget $1,000,000

Funding Need $985,000

Fund Balance $15,000

EXCESS RESERVES

- General Fund only
- Operating Reserves must be full (greater of 10% or $10,000)
- Can be held indefinitely, as long as operating reserves are continually being filled in full
- Unlimited amount

EXCESS RESERVES

Uses:

- Cash flow
- Revenue shortfalls
- Budget amendments
- Tax Relief
  - Newly identified (current year) revenue: BASE
  - After one year: BASE or Over-BASE

EXCESS RESERVES

Sources:

- Delinquent/Protested Taxes (Revenue Source 1117)
- Tax Audit Receipts (Revenue Source 1118)
- Penalty and Interest on Taxes (Revenue Source 1190)

These should be Identified on county treasurer's reports

GF Reserve & Fund Balance Example

FY24 Year End

Fund Balance
$115,000

FY25 Budget Year

Adopted Budget
$1,000,000

Reserve Limit 10% or
$100,000

11.5%

Excess Reserves
15,000

Reserve
$100,000

Recorded Revenue
1117 = 10,000
1118 = 5,000

Adopted Budget
$1,000,000

Funding Need
$1,000,000

Budget

Fiscal Year: 2025 LE: Bozeman Elem - 0350 Fund Code: 01 - General Fund

Budget Limits | Reserves | Revenues | Flexible Non-Voted Levy Authority | Summary | Print Budget Report | Print Validation Report

Fund Balance: 9,000,000.00 Add A New Budget Record

TIF Fund Balance: 0.00

Reserves:

There are no reserves entered for the selected LE.

Excess:

There are no excess reserves entered for the selected LE.

Beginning Excess Reserves	14,385.24	Fund Balance For Budget	9,000,000.00
Plus Collections	60,000.00	Less Operating Reserves	0.00
Less Used For Budget Amendments	0.00	Less Excess Reserves	0.00
Less Reappropriated to Fund OverBASE	0.00		
Ending Excess Reserve Limit	74,385.24	Unreserved Fund Balance Reappropriated	9,000,000.00

The maximum Operating Reserve allowed is 3,692,198.80.
The maximum Reappropriated To Fund OverBASE allowed is 14,385.24.
The 0961 Operating Reserves for Fund 01 are 0.

RESERVES: CASH BALANCES KEPT FOR FUTURE USE

Fund	Operating Reserve Limit
General	Greater of $10,000 or 10% of ensuing years budget (20-9-104, MCA)
Transportation	20% of ensuing year budget (20-10-144, MCA)
Bus Depreciation	No Limitation
Tuition	None Permitted
Retirement	20% of ensuing year budget (20-10-501, MCA)
Adult Education	35% of ensuing year budget (20-7-713, MCA)
Non-Operating	No Limitation
Technology	No Limitation
Flexibility	No Limitation
Debt Service	Approximate amount of payment due between July 1st and Nov 30th of second ensuing year (20-9-438, MCA)
Building Reserve	No Limitation

QUESTIONS?

CONTACT US

- Email us at OPISchoolFinance@mt.gov
- Find us online at opi.mt.gov/Leadership/Finance-Grants/School-Finance