



## USFRCS MEMORANDUM NO. 85

**TO:** Arizona Charter School Administrators;  
Administrators of School Districts Sponsoring Charter Schools

**FROM:** Laura Miller, Office of the Auditor General  
Vicki Salazar, Arizona Department of Education (ADE)

**DATE:** June 4, 2010

**SUBJECT:** Charter School Annual Budget Forms, Work Sheets, and Instructions for Fiscal Year (FY) 2011  
(Supersedes USFRCS Memorandum Nos. 79 and 81)

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A.R.S. §§ 15-183(E)(6) and 15-905 require schools to prepare and submit a budget, in electronic format, containing the information and in the form provided by ADE. A.R.S. § 15-903(A) requires the Superintendent of Public Instruction in conjunction with the Auditor General to prescribe the budget format to be used by charter schools. The Auditor General and ADE developed the budget format in Excel to incorporate the information schools are statutorily required to include in their annual budget. This format will assist schools in complying with budget preparation and submission requirements. ADE will only accept FY 2011 budget forms and work sheets submitted electronically using the Excel forms with the 6/10 revision. Schools may download a copy of the Excel forms from the Auditor General's Web site at [www.azauditor.gov/forms\\_charter.htm](http://www.azauditor.gov/forms_charter.htm) or ADE's Web site at [www.azed.gov/schoolfinance/forms/budgets](http://www.azed.gov/schoolfinance/forms/budgets).

School district-sponsored charter schools are not required to complete the budget work sheets included in this packet. The amount of funding school district-sponsored schools receive is based on the agreement between the school district governing board and the charter school. However, A.R.S. § 15-185(A)(3)(a) requires that school district-sponsored schools receive the full additional assistance prescribed by A.R.S. § 15-185(B)(4) for state board-sponsored schools. State board-sponsored schools must complete these budget work sheets as they reflect the state equalization assistance calculation for schools that are not sponsored by a school district.

School district-sponsored charter schools should be included in the school district's budget and financial assistance calculations. In addition, charter schools that are a part of a district's reporting entity (i.e., share the district's governing board) must be included in the school district's budget and are not required to file their own forms (refer to USFR Memorandum No. 246 for further details).

The completed forms must be uploaded via the Common Logon, on ADE's Web site at [www.ade.az.gov/CommonLogon](http://www.ade.az.gov/CommonLogon). For password information or help, please contact ADE's Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636], or [enterprise@ade.az.gov](mailto:enterprise@ade.az.gov).

Each charter school is statutorily required to annually prepare a proposed budget and submit a copy to the Superintendent of Public Instruction no later than July 5. A copy must be kept on file at the school and made available to the public upon request. A notice of public hearing and governing board meeting to adopt a budget must be published in a newspaper of general circulation or transmitted electronically to ADE for posting on its Web site via the Common Logon using the enclosed HearingNotification2011.xls file. The publication or posting date must be no later than 10 days prior to the meeting. The governing board must file a publisher's affidavit of publication or an affidavit including the date the notice was posted to ADE's Web site with the Superintendent of Public Instruction within 30

days after publication or posting. The school must adopt a budget no later than July 15 and electronically submit the adopted budget to the Superintendent of Public Instruction no later than July 18.

## **GENERAL INFORMATION AND INSTRUCTIONS**

Schools should complete the budget work sheets before completing the budget forms. Amounts on the budget forms should be rounded to the nearest dollar. Amounts should not be entered in the shaded areas or protected cells. Schools should not change or delete formulas unless specifically instructed to do so by the Office of the Auditor General or ADE.

The budget forms and worksheets are in two files.

1. budget11.xls includes the cover page and pages 1 through 5 of the budget forms and the SFSF Supplement.
2. wrksht11.xls includes the work sheet table of contents and work sheets A through F.

### **USING THE BUDGET FORMS AND WORK SHEETS**

Grid lines have been turned off (Tools/Options/View) in order to make the lines used in the forms easier to see. Users may turn the grid lines back on without affecting the calculations or printing of the spreadsheet.

The charter school name, county, and CTDS number should be entered on the cover page of the budget forms and on the work sheet table of contents. The number should not include any slashes, dashes, etc. This information will be automatically transferred to the other sheets in the file.

The spreadsheets will automatically perform mathematical calculations and bring forward certain amounts from one budget page/work sheet to another. Therefore, information can and should be entered only in unprotected cells. Users can move from one unprotected cell to another on a sheet by using the Tab key. Work Sheet E has no unprotected cells as no input is required on this sheet. However, unlike past budget work sheets, student counts now should be entered on Work Sheet A rather than Work Sheet B. This information will be automatically transferred to the other work sheets in the file.

### **CHARTER SCHOOL ANNUAL BUDGET**

#### **Current Year 2010 Columns**

The cells in the current year columns on the budget forms contain formulas that will bring forward budget amounts from the FY 2010 budget forms. However, the cells have not been protected so users may also enter the information manually. To bring forward amounts automatically, the budget10.xls file for the most recently revised FY 2010 budget must be saved in the C:\CSFORMS subdirectory. Excel will ask the user to update information when the budget11.xls file is opened. Users should review amounts reported in the current year column to ensure they agree to the school's most recently revised budget for FY 2010.

#### **COVER PAGE**

All information on the cover page must be completed/updated when the proposed, adopted, or revised budget is printed out for the Governing Board to sign. All information, excluding the Revenue information, must also be updated when the budget is revised.

The version of the budget being submitted on the cover page is formatted with a drop down menu. Select the appropriate choice from the menu: Proposed, Adopted, or Revised (including the revision number). Only choices in the menu may be entered in the cell.

Estimated revenues by source for FY 2011 should be based on the best information available at the time the budget is prepared. Estimated revenues may be more or less than estimated expenses.

Each time the forms are submitted electronically to ADE, the school should record the date in the space provided. Two school officials should sign the cover page where indicated and send a copy of the cover page within 5 days of the electronic submission to ADE at the following address:

ADE School Finance  
1535 West Jefferson, Bin 13  
Phoenix, AZ 85007

## **PAGE 1**

Depreciation expense should not be reported on the budget forms. In addition, purchases of capital assets (land and land improvements, site improvements, buildings and building improvements, equipment, and construction in progress) should not be reported in the budget forms except in the Capital Acquisitions section of page 2.

Schools with known special education students and programs at the time of budget adoption should budget for expenses in program code 200 (and 300, if applicable). Also, budgeted special education expenses should be allocated by program type on page 2. Total budgeted expenses on lines 27 and 28 should equal total special education programs by type on page 2, line 22.

### Employee Benefits column

Schools participating in the Arizona State Retirement System should budget in object code 6200 at the rate of 9.6% for retirement contributions and 0.25% for long-term disability contributions for covered positions.

### Percentage Increase/Decrease column

Schools should report the percentage increase or decrease in the total budget for each line item.

### Federal and State Project expenses

The total of federal and state project expenses (project codes 1100 through 1499 from page 2) should be included on line 37. Schools should not include federal and state project expenses with other schoolwide project expenses on lines 1 through 36.

## **PAGE 2**

### Federal and State Projects

Separate accountability is required for each federal and state project. Therefore, charter schools should estimate the expenses for each federal or state project in which the school participates. The totals on line 31 should agree with the total columns for federal and state projects on line 37 of page 1. A.R.S §15-1261, as added by Laws 2010, Chapter 332, §18, requires charter schools to establish an E-rate Project to account for any E-rate funding received by the school. Monies budgeted for the E-rate Project should be included within the Other Federal Projects on line 16.

### Capital Acquisitions

Enter the increase in the capital asset accounts (land and land improvements, site improvements, buildings and building improvements, equipment, and construction in progress) for assets to be acquired by purchase, lease purchase, or construction.

### State Equalization Assistance Budgeted for Food Service Expenses

Charter schools participating in the National School Lunch Program are required to spend a portion of their state equalization assistance to support the operation of their food service program. Schools must report on their budget the amount of state equalization assistance that will be expended for their food service program during the 2011 school year. This amount will be used to determine school compliance with state matching requirements pursuant to CFR

Title 7, §210.17(a). The Child Nutrition Programs Office will verify the amount reported on the budget was reported as spent when schools' annual financial reports are submitted. Any questions related to state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

#### Special Education Programs by Type

Schools budgeting for special education expenses on page 1, lines 16-28 should report amounts allocated by program type on page 2. The total special education expenses by type should equal the total of lines 27 and 28 on page 1. Supporting documentation should be retained for the allocation of expenses budgeted for individual special education programs.

#### Selected Expenses by Type

Audit services expense should be the total audit costs to be incurred during the budget year.

Classroom instruction expenses should be the total of expenses budgeted in function code 1000 for program codes 100 through 300 and 500 for the budget year.

#### **PAGES 3 and 4**

Charter schools receive revenues from the Classroom Site Fund each year. A.R.S. §15-977(G)(1) requires the Joint Legislative Budget Committee to calculate an estimated per pupil amount each year. For FY 2011 the estimated cash payment is \$220.00 per "Group A weighted" pupil (Work sheet B, line I.A.3).

In accordance with A.R.S. §15-977, the monies should be used for the purposes described below. Additionally, the monies in these three projects must be used to supplement, rather than supplant, existing monies and in accordance with Laws 2000, 5<sup>th</sup> Special Session, Chapter 1, §62, must not be used for administrative purposes. The monies are nonreverting; therefore, unspent monies at fiscal year-end may be used in subsequent years. However, the restrictions placed on the original allocation of revenues between the three projects will apply in future years. See USFRCS Memorandum No. 44 for additional guidance on the use of Classroom Site Project monies.

#### 1011 Classroom Site Project—Base Salary

This project accounts for 20% of the FY 2011 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for teacher base salary increases and employment-related expenses.

#### 1012 Classroom Site Project—Performance Pay

This project accounts for 40% of the FY 2011 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for performance-based teacher compensation increases and employment-related expenses.

#### 1013 Classroom Site Project—Other

This project accounts for 40% of the FY 2011 Classroom Site Fund allocations and any unspent monies or interest received in prior years in this project. Monies in this project can only be used for any of the following maintenance and operation purposes: class size reduction, AIMS intervention and dropout prevention programs for instructional purposes (other than athletics) coded to function 1000; teacher compensation increases; teacher development; and teacher liability insurance premiums.

#### Instructional Improvement Project (A.R.S. §15-979)

The Instructional Improvement Project accounts for monies received from gaming revenue. Up to 50% of the monies received may be used for teacher compensation increases and class size reduction as provided in A.R.S. §15-977. Therefore, the expenses for class size reduction, if any, must be appropriate expenses under function 1000 –

Instruction, excluding athletics. The remaining monies must be used for the following maintenance and operation purposes: dropout prevention programs and instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade.

The monies in this project may not be used to supplant existing state and local monies. The monies received in this project are nonreverting; therefore, unspent monies at fiscal year-end may be used in subsequent years. However, the restrictions placed on the revenues will apply in future years.

## **PAGE 5**

### Structured English Immersion Project (A.R.S. §15-756.04)

The Structured English Immersion Project (Project 1071) accounts for monies received from the Structured English Immersion Fund. These monies must be used to provide for the incremental cost of instruction to English language learners (ELLs) and must be used to supplement existing programs. In accordance with A.R.S. §15-756.03 and .04, monies must not be used to supplant federal, state, or local monies previously used for ELLs, or used to pay for the normal costs of conducting programs for English proficient students.

Incremental costs are defined in A.R.S. §15-756.01 as the costs that are associated with a structured English immersion program pursuant to A.R.S. §15-752 or a program pursuant to A.R.S. §15-753 and that are in addition to the normal costs of conducting programs for English proficient students. Incremental costs do not include costs that replace the same types of service provided to English proficient students or compensatory instruction.

### Compensatory Instruction Project (A.R.S. §15-756.11)

The Compensatory Instruction Project (Project 1072) accounts for monies received from the Compensatory Instruction Fund. These monies must be used for programs in addition to normal classroom instruction that may include individual or small group instruction, extended day classes, summer school, or intersession school. These programs are limited to improving the English proficiency of current ELLs and pupils who were ELLs and who have been reclassified as English proficient within the previous 2 years. Monies must be used to supplement existing programs and not to supplant federal, state, or local monies previously used for compensatory instruction that were budgeted for ELLs as of February 23, 2006.

In order to efficiently record structured English immersion and compensatory instruction expenses, schools should be using program codes 260, Special Education—ELL Incremental Costs; 265, Special Education—ELL Compensatory Instruction; and Program 435, Pupil Transportation—ELL Compensatory Instruction, as applicable.

## **STATE FISCAL STABILIZATION FUND SUPPLEMENT**

Only schools that received American Recovery and Reinvestment Act, State Fiscal Stabilization Fund (SFSF) monies in FY 2010 or are budgeting expenses for SFSF monies in FY 2011 must complete the Supplement. For-profit schools are not eligible to receive these monies; therefore, only governmental and not-for-profit schools should utilize the Supplement.

Expenses from SFSF monies should be budgeted by program code in the Schoolwide Project. The expenses should also be included on lines 1-11, 14, 16-26, and 29 on page 1 of the Budget, as appropriate. Disbursements for capital acquisitions should be included in the table on page 2 of the Budget, as appropriate.

SFSF monies cannot be used for the following purposes:

- Facility maintenance costs
- Capital costs for facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public, such as swimming pools

- Purchase or upgrade of vehicles
- Improvement of stand-alone facilities, or other facilities whose purpose is not the education of children, such as school administration, operations, or logistical support facilities

## **BUDGET WORK SHEETS**

### **WORK SHEET C**

#### Line VI. Decrease for Federal and State Monies Received for M&O Purposes

In accordance with A.R.S. §15-185(K)(1), the Auditor General has determined that the following federal monies meet the definition of “monies intended for the basic maintenance and operations of the school” (as referred to in that subsection), that must be used to reduce the base support level and state equalization assistance, as directed by A.R.S. §15-185(D). This list is not necessarily all-inclusive. The Auditor General may determine in the future that other federal or state grants meet the definition of “monies intended for the basic maintenance and operations of the school.”

1. Indian School Equalization Program entitlements received for:
  - Instructional Costs (Basic Program, Gifted and Talented Programs, and Small School Adjustment)
  - Bilingual Instruction Costs (Supplemental Programs–Bilingual Program)
  - Exceptional Child Education Costs (Exceptional Child Programs)
  - Student Transportation Fund Costs
  - School Board Training Fund Costs (School Board Supplement)

Indian School Equalization Program entitlements received for Boarding Costs, Dormitory Costs, Intense Residential Guidance Costs, and Pre-kindergarten Costs would not be subject to the reduction.

2. Administrative Cost Grant entitlements received.

In addition, the reduction in A.R.S. §15-185(D) applies to a charter school that was a district school in FY 2010 and the Auditor General and ADE have determined that the charter school is operated for or by the same school district. The reduction to the base support level of the charter school is equal to the sum of the base support level and the additional assistance received for FY 2011 for pupils who were enrolled in the district school in FY 2010 and are enrolled in the charter school in FY 2011.

## **PRINTING**

The budget forms have been formatted to print on legal-size paper (8½” x 14”) at “Actual Size” (100%). The work sheets have been formatted to print on letter-size paper (8½” x 11”) at “Actual Size” (100%). Since the minimum margin setting for your printer may differ from what was used to set up these files, a little experimentation may be needed to get each sheet to print on one page. Users should try changing the “scaling” under page setup.

If you have any questions, please call ADE School Finance at (602) 542-5695, or the Office of the Auditor General, Accounting Services Division at (602) 553-0333. Questions regarding the electronic version should be referred to the Office of the Auditor General. Questions regarding electronic submission of the budget forms and work sheets should be referred to ADE.

Enclosures