



## USFR MEMORANDUM NO. 246

**TO:** School District Administrators; County School Superintendents

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

**DATE:** June 15, 2010

**SUBJECT:** Fiscal Year (FY) 2011 School District Annual Expenditure Budget Forms, Budget Supplement, Budget Summary, Budget Work Sheets, Truth in Taxation Work Sheet, Hearing Notice of Tax Increase, Hearing Notification, Desegregation Supplement and related forms, and Instructions (Supersedes USFR Memorandum No. 242)

---

Enclosed are instructions for completing the FY 2011 School District Annual Expenditure Budget forms, Budget Supplement, Budget Summary, Budget Work Sheets, Truth in Taxation Work Sheet, Hearing Notice of Tax Increase, Hearing Notification, and Desegregation Supplement and related forms. All forms and work sheets have been revised for recent legislation. The more significant changes include modifying work sheets for changes to the calculation of the weighted student count and budget balance carryforward; deletion of Work Sheets P and R and replacing Work Sheet L for Impact Aid changes; adding a line to the budget for E-Rate, Impact Aid, and Other Postemployment Benefits Funds; and removing the Website Advertisement Fund. In addition, the state support level per route mile has been increased pursuant to Arizona Revised Statutes (A.R.S.) §15-901.01.

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 all school districts. A.R.S. §15-905 requires districts to prepare and submit budgets, in electronic format, containing the information and in the form provided by ADE. The Auditor General and ADE developed the budget format in Microsoft Excel, to incorporate the information districts are statutorily required to include in their annual budgets. This format will assist districts in complying with budget preparation and submission requirements.

ADE will only accept FY 2011 budget forms and work sheets submitted electronically using either the Excel forms with the 6/10 revision date or software that produces an electronic file in a format approved by ADE. Districts may download a copy of the Excel forms from the Auditor General's Web site at [www.azauditor.gov/forms\\_schooldistrict.htm](http://www.azauditor.gov/forms_schooldistrict.htm) or ADE's Web site at [www.azed.gov/schoolfinance/Forms/Budgets](http://www.azed.gov/schoolfinance/Forms/Budgets).

Districts must upload the completed forms and work sheets 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 the ADE Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636] or e-mail [enterprise@ade.az.gov](mailto:enterprise@ade.az.gov).

Districts are statutorily required to annually prepare a proposed Budget no later than July 5, or the publication date of the notice of public hearing and board meeting if earlier, and furnish it to the Superintendent of Public Instruction and to the County School Superintendent (CSS), unless waived by the CSS. The district must also publish or mail a copy of the proposed Budget or Summary and a notice of the public hearing and board meeting no later than 10 days prior to the meeting. The proposed Budget/Summary and notice of hearing must either be printed in at least 8-point type in a newspaper of general circulation within the district, mailed to each household in the district, or transmitted electronically to ADE via the Common Logon for posting on their Web site. Districts posting to ADE's Web site should use the hearing notification form included with this Memorandum. The publisher's affidavit of newspaper publication or an affidavit of mailing, as applicable, must be filed with the Superintendent of Public Instruction within 30 days of the publication or mailing. To meet this requirement, districts should mail the affidavit to ADE, School Finance, 1535 West Jefferson, Bin 13, Phoenix, AZ, 85007. The proposed Budget and related Summary must be kept on file at the district and made available to the public upon request.

In accordance with A.R.S. §15-905.01, a district must hold a truth in taxation hearing on or before the adoption of the expenditure budget if the district budgets an amount that is higher than the truth in taxation base limit, levies any amount for adjacent ways pursuant to A.R.S. §15-995, or levies any amount for liabilities in excess of the budget pursuant to A.R.S. §15-907. If a hearing is required, districts must either publish or mail a notice at least 10 days, but not more than 20 days before the hearing. The notice must be published in a section other than the classified or legal advertising section in a newspaper of general circulation in the district, or mailed to each registered voter within the district (statute does not allow districts the option of posting the truth in taxation hearing notice on ADE's Web site). The notice must be at least one-fourth page in size, surrounded by a solid black border at least one-eighth inch in width, with the headline in at least 18-point type. The sample truth in taxation hearing notice is provided to assist districts in complying with these statutory requirements. The parenthetical remarks in the sample notice are included to assist districts in preparing the notice and should be removed prior to publishing or mailing the notice. In addition to publishing or mailing the notice, the district must also issue a press release containing the truth in taxation hearing notice to all newspapers of general circulation in the district. Within 3 days after the hearing, the governing board must mail a copy of the truth in taxation hearing notice, a statement of its publication or mailing, and the result of the governing board's vote to the property tax oversight commission established by A.R.S. §42-17002. The mailing address is Property Tax Oversight Commission – Econometrics, 1600 West Monroe, 9<sup>th</sup> Floor, Phoenix, AZ, 85007. Districts may combine the proposed budget notice and hearing with the truth in taxation notice and hearing if the proposed budget notice and hearing is published or mailed. Refer to A.R.S. §15-905.01 for further information on the truth in taxation notice and hearing.

Districts must adopt a Budget no later than July 15 and file the adopted Budget with the CSS and Superintendent of Public Instruction no later than July 18. (In accordance with Laws 2010, Ch. 273, §2, the May 15 deadline for FY 2010 budget revisions has been extended to July 15. As a result, Districts should ensure that any changes made to its FY 2010 budget are carried forward to the FY 2011 adopted budget.) If a district is notified by ADE that the adopted Budget is in excess of the General Budget Limit (GBL), Unrestricted Capital Budget Limit (UCBL), or Soft Capital Allocation Limit (SCAL) by 1% of its GBL or \$100,000, whichever is less, the adopted Budget must be revised on or before December 15 after notice and a public hearing so as not to exceed the GBL, UCBL, or SCAL. If the district is notified by ADE that the adopted Budget is in excess of the GBL, UCBL, or SCAL by less than 1% of its GBL or \$100,000, the district must adjust the current year budget before May 15. Any other budget revisions may also be made before May 15. (A USFR memorandum similar to No. 245 will be issued in April 2011 to discuss budget revisions in more detail.) A.R.S. §15-905

## **GENERAL INFORMATION**

Districts should complete the Work Sheets and Supplements, as applicable, before completing the Budget forms. To ensure that the district's data can be properly processed by ADE, formulas should not be changed without specific instructions from either the Office of the Auditor General, Accounting Services Division or ADE, School Finance.

### **Utility Costs**

In accordance with Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §13, districts are not permitted to adjust the revenue control limit (RCL) in FY 2011 for actual utility costs as described in A.R.S. §15-910.04. Also, districts are not required to submit a utilities funding plan in FY 2011 as described in A.R.S. §15-910.03.

### **Budget Forms, Supplement, and Summary**

1. Amounts in the current year columns should be recorded from the **budget columns** of the latest revised Budget for FY 2010. Amounts should be rounded to the nearest dollar.
2. Districts should budget for retirement contributions at the rate of 9.6% and for long-term disability at the rate of .25% for a total contribution rate of 9.85%.

### **Truth in Taxation (TNT) Work Sheet**

This Work Sheet is used to determine whether a TNT hearing is required, and if so, to calculate the amounts to include on the truth in taxation hearing notice, in accordance with A.R.S. §15-905.01.

### **Budget Work Sheets**

1. District student count means the 100<sup>th</sup>-day Average Daily Membership (ADM) or adjusted ADM for FY 2010. The 100<sup>th</sup>-Day ADM or adjusted ADM can be found on the district's FY 2010 ADMS 46-1 report, available on ADE's Web site at [www.azed.gov/districts](http://www.azed.gov/districts). District-sponsored charter school estimated ADM means pupils new to the district in FY 2011 attending a district-sponsored charter school and pupils who attended a district-sponsored charter school in FY 2010 who are expected to be in attendance at a district-sponsored charter school in FY 2011.
2. In accordance with A.R.S. §§15-185(B)(4) and 15-945, as amended by Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §§1 and 4, the additional assistance per student for Soft Capital Allocation (SCA) and state support level per route mile have been increased.

## **DETAILED INSTRUCTIONS**

### **SCHOOL DISTRICT ANNUAL EXPENDITURE BUDGET**

#### **COVER PAGE**

The information on the left side of the cover page must be updated when the budget is proposed, adopted, or revised, and printed out for the Governing Board to sign. Each time the forms are electronically submitted to ADE, the date should be recorded, the Superintendent and Business Manager should sign where indicated, and only a copy of the cover page must be mailed within 5 days of electronic submission to ADE, School Finance, 1535 West Jefferson, Bin 13, Phoenix, AZ, 85007.

#### **Revenues and Property Taxation**

Estimated revenues by source for FY 2011 (excluding property taxes) should be the district's best estimate at the time the expenditure Budget is prepared.

District tax rates for FY 2010 should be the actual tax rates set by the County Board of Supervisors in August 2009. Tax rates for FY 2011 should be the district's best estimate. Districts should include detailed secondary tax rates for Maintenance and Operation (M&O), Special K-3 Program, Special Program, and Capital Overrides; Class A Bonds; and Class B Bonds. Class A Bonds are general obligation bonds approved by voters on or before December 31, 1998. Class B Bonds are general obligation bonds approved by voters after December 31, 1998.

## **ENGLISH LANGUAGE LEARNERS**

A.R.S. §15-756.02 requires each school district to implement task force approved models to provide instruction to English language learner (ELL) students. A.R.S. §15-756.01 defined incremental costs 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 that are in addition to the normal costs of conducting programs for English proficient students. Further, incremental costs do not include costs that replace the same types of service provided to English proficient students or compensatory instruction. The ELL task force was required to define the incremental costs needed to implement their ELL models. Legislation also defined compensatory instruction in A.R.S. §15-756.11 as programs in addition to normal classroom instruction that may include individual or small group instruction, extended day classes, summer school, or intersession school. Compensatory instruction programs must be limited to improving the English proficiency of current ELL students and students who were ELL students and who have been reclassified as English proficient within the previous 2 years.

In all funds where ELL costs are incurred, districts should use program code 260—ELL Incremental Costs to record incremental costs necessary to implement the task force approved models, program code 265—ELL Compensatory Instruction to record the costs of providing compensatory instruction to ELL students and students reclassified as English proficient in the last 2 years, and program code 435—Pupil Transportation—ELL Compensatory Instruction for transportation costs approved as part of compensatory instruction. However, when desegregation monies are used to pay for incremental or compensatory instruction costs, districts should use program codes 514—ELL Incremental Costs and 515—ELL Compensatory Instruction.

Districts may have ELL costs, in funds other than Structured English Immersion Fund 071 and Compensatory Instruction Fund 072, that are beyond the incremental costs necessary to implement the ELL task force approved models for ELL instruction and that are not considered compensatory instruction by statute. Districts should code these costs to program code 100—Regular Education. Districts may choose to separately track these costs in their accounting records using a more detailed program code under 100, such as program code 160.

### **PAGE 1 of 8**

#### **Line 10. Program 100, Function 5000—Debt Service**

Districts should use this line to budget for the amount of any judgment expected to be paid in FY 2011 for an excessive property tax valuation judgment per A.R.S. §§42-16213 and 42-16214. This amount should also be included on page 7, line 8(l).

#### **Line 25. Program 300, Special Education Disability ESEA, Title VIII**

The federal government requires districts that receive ESEA, Title VIII monies for the disabled to budget and account for expenditures of these monies separately. These expenditures must be budgeted for, in detail, on page 1 of the Supplement. Districts should account for special education expenditures on this line and in detail on page 1 of the Supplement if impact aid monies were used in the M&O Fund.

Line 28. Program 520, Special K-3 Program Override

Districts including an increase to the general budget limit for a Special K-3 Program Override approved by voters before November, 24, 2009, pursuant to Laws 2010, Ch. 179, §4, must budget and account for these monies separately. These expenditures must be budgeted for, in detail, on page 1 of the Supplement. Any new Special Program Override expenditures pursuant to A.R.S. §15-482, as amended by Laws 2010, Ch. 179, §2, are not required to be budgeted for separately. Therefore, districts should budget for those expenditures on any applicable line for the M&O and UCO Funds.

Line 29. Program 530, Dropout Prevention Programs

A district authorized by ADE to continue participation in the Dropout Prevention Programs for FY 2011 pursuant to Laws 1992, Ch. 305, §32 and Laws 2000, Ch. 398, §2, must budget the additional amount on this line.

Line 30. Program 540, Joint Career and Technical Education and Vocational Education Center

A district that has entered into an intergovernmental agreement to establish a jointly owned and operated career and technical education and vocational education center, in accordance with A.R.S. §15-789, should budget for the center's expenditures on this line. A.R.S. §15-910.01 **This provision does not apply to joint technical education districts established pursuant to A.R.S. §15-392.**

**PAGE 2 of 8**

Special Education Programs by Type (M&O Fund Only)

All expenditures budgeted in the M&O Fund for special education programs should be included regardless of the revenue source (state equalization assistance, property taxes, State Fiscal Stabilization fund monies). Districts should retain supporting documentation for the allocation of expenditures budgeted for individual special education programs. Supporting documentation should include a list of the programs, the number of teachers and students by program, and all computation work sheets. Districts should record program 200 budgeted expenditures in the "Program 200 Budget FY" column and programs 200 and 300 budgeted expenditures should be recorded in the "Total Budget FY" column. For districts that only budget expenditures for program 200, both columns will contain the same amounts.

Program code 260—ELL Incremental Costs and program code 265—ELL Compensatory Instruction are required to track expenditures related to ELL. See page 4 of this memo for more information.

Estimated FTE Certified Employees

This section should include **all** certified employees filling certified positions at the district.

M&O Detail by Object Code

This section is provided to identify budgeted Utilities, Tuition Out Debt Service, and Audit Services. Amounts reported on lines 1-8 of this section are also included in the budgeted expenditures on Budget, page 1.

1. A district may budget for the debt service portion of the cost of tuition charged to the district for pupils attending school in another district. A.R.S. §15-910(L)
2. Districts should include amounts budgeted in the M&O Fund for any financial and compliance audit services. A.R.S. §15-914(F)

Expenditures Budgeted in the M&O Fund for Food Service

Districts participating in the National School Lunch Program are required to budget a portion of their state revenues to support the operation of their food service program. Districts should budget in the M&O Fund any amounts that will be expended during the 2011 school year for the operation of the food service program. Any questions related to the state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

**PAGE 3 of 8**

In accordance with A.R.S. §§15-977 and 15-978, the Classroom Site Funds (CSF) are budget-controlled funds that may be used for the purposes described below. Additionally, the monies in these three funds must be used to supplement, rather than supplant, existing monies and in accordance with Laws 2000, 5<sup>th</sup> S.S., Ch. 1, §62, must not be used for administrative purposes. See USFR Memorandum No. 194 for additional guidance on the use of CSF monies.

In accordance with A.R.S. 15-977(G)(1) and Laws 2010, Ch. 306, §17, the per pupil amount budgeted for the Classroom Site Fund in FY 2011 has been reduced to adjust for prior year revenue shortfalls. Districts that use sources other than CSF monies for teacher compensation in FY 2011 as a result of the adjustment for prior year shortfalls are not required to maintain this higher level of spending for teacher compensation from other sources in FY 2012 related to the nonsupplanting requirements of A.R.S. §15-977.

Fund 011—Base Salary

This fund accounts for 20% of the FY 2011 CSF Allocation and any FY 2010 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for teacher base salary increases, employment-related expenses, and registered warrant expense for this fund.

Fund 012—Performance Pay

This fund accounts for 40% of the FY 2011 CSF Allocation and any FY 2010 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for performance-based teacher compensation increases, employment-related expenses, and registered warrant expense for this fund.

Fund 013—Other

This fund accounts for 40% of the FY 2011 CSF Allocation and any FY 2010 unexpended budget balance and interest earned for this fund. Monies in this fund can only be used for 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; teacher liability insurance premiums; and registered warrant expense for this fund.

The total amount budgeted in the CSF cannot exceed the Classroom Site Fund Budget Limit (CSFBL) amount on Page 8, Line C.7.

**Note: The total amount budgeted in the CSF in FY 2011 will affect future years' CSFBLs. See A.R.S. §15-978 and Budget, page 8, for the calculation of the CSFBL.**

**PAGE 4 of 8**

Unrestricted Capital Outlay (UCO) Fund

The amount budgeted in the UCO Fund cannot exceed the Unrestricted Capital Budget Limit (UCBL) on Budget, page 8, line A.12. UCO Fund monies may be used for the acquisition by purchase, lease-purchase, or lease of capital items as defined in USFR Memorandum No. 185.

**Note: The amount budgeted in Fund 610 in FY 2011 will affect future years' UCBLs. See A.R.S. §15-947(D) and Budget, page 8, for the calculation of the UCBL.**

Soft Capital Allocation (SCA) Fund

The amount budgeted in the SCA Fund cannot exceed the Soft Capital Allocation Limit (SCAL) on Budget, page 8, line B.12. Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §14, allows school districts to use SCA Fund monies for any capital or operating expenditures in FY 2011.

**Note: The amount budgeted in Fund 625 in FY 2011 will affect future years' SCALs. See A.R.S. §15-947(E) and Budget, page 8, for the calculation of the SCAL.**

Expenditures Budgeted in Unrestricted Capital Outlay and Soft Capital Allocation Funds for Food Service (footnote 5)

Districts participating in the National School Lunch Program are required to budget a portion of their state revenues to support the operation of their food service program. Districts should budget in the UCO or SCA Funds any amounts that will be expended during the 2011 school year for the operation of the food service program. Any questions related to the state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

**PAGE 5 of 8**

Building Renewal and New School Facilities Funds

These funds are used to account for monies received from the School Facilities Board (SFB) in accordance with A.R.S. §§15-2031 and 15-2041. These are continuing funds and are not subject to reversion. Districts must indicate the amount of the total budget for renovation and new construction for each of these funds and the Bond Building Fund, as applicable.

**PAGE 6 of 8**

E-Rate Fund (A.R.S. §15-1261, as added by Laws 2010, Ch. 332, §18)

Districts that receive E-Rate monies that have not already established an E-Rate Fund should establish one in the 300 fund range. Monies in the E-Rate Fund may be used to reimburse the district for broadband internet and telecommunication costs. Districts should refer to USFR Memorandum No. 161 for further guidance.

Impact Aid Fund [A.R.S. §15-905(R), as added by Laws 2010, Ch. 332, §16]

Districts that receive Impact Aid monies should establish an Impact Aid Fund in the 300 fund range. A line was added to page 6 to account for ESEA, Title VIII (Impact Aid) monies received by school districts. Districts must deposit Impact Aid revenue received in the Impact Aid Fund and these monies should be accounted for separately and not combined with any other source of local, state or federal assistance. Monies in the fund are federal monies not subject to legislative appropriation.

**All districts that receive Impact Aid revenue are required to complete Work Sheet L.** Work Sheet L calculates the amount available to be spent in the Impact Aid Fund for FY 2011. The amount budgeted on page 6 should not exceed Work Sheet L, line VII.

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

The Instructional Improvement Fund 020 is used to account 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 expenditures for class size reduction, if any, must be appropriate expenditures under function 1000—Instruction, excluding athletics. The remaining monies

must be used for the following M&O 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 fund may not be used to supplant existing state and local monies. This fund is cash controlled and the monies received in this fund are nonreverting. Therefore, expenditures cannot be incurred prior to the receipt of monies and unspent monies at fiscal year-end may be used in subsequent years.

#### Full-Day Kindergarten Funds (A.R.S. §15-901.02)

Full-Day Kindergarten Funds 060 and 065 were eliminated in FY 2007. However, the funds remain on the budget forms for FY 2011 to allow districts that received funding for full-day kindergarten to budget for any remaining monies in the funds. Remaining monies should only be used for full-day kindergarten instruction.

#### English Language Learner Funds (A.R.S. §§15-756.04 and 15-756.11)

The Structured English Immersion (SEI) Fund 071 is used to account for monies received from ADE to provide for the incremental cost of instruction to ELLs and must be used to supplement existing programs. In accordance with A.R.S. §15-756.03 and .04, SEI monies must not be used to supplant federal, state, or local monies, including desegregation monies, previously used for ELLs, or used to pay for the normal costs of conducting programs for English proficient students. As defined in A.R.S. §15-756.01, incremental costs are 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 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 services provided to English proficient students or compensatory instruction. Districts were required to submit a separate SEI Budget Request Form to ADE to request these monies for FY 2011. See page 4 of this memo for more information.

The Compensatory Instruction Fund 072 is used to account for monies received from ADE for compensatory instruction 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 students who have been reclassified from ELL to English proficient within the previous 2 years. Monies must be used to supplement existing programs and not supplant federal, state, or local monies, including desegregation monies levied pursuant to A.R.S. §15-910, used for ELLs or ELL compensatory instruction that were budgeted as of February 23, 2006. For FY 2011, there were no new monies available for compensatory instruction programs. ADE will allow districts to use the remaining monies but will deduct those amounts from future funding requests for compensatory instruction programs. See page 4 of this memo for more information.

Expenditures for these funds must be budgeted for in detail on page 3 of the Supplement.

#### School Plant Funds (A.R.S. §15-1102)

Proceeds from the sale or lease of school property must be deposited into one of the following funds as appropriate: School Plant Fund 500 (Lease over 1 year), School Plant Fund 505 (Lease 1 year or less), School Plant Fund 506 (Sale), or School Plant-Special Construction Fund 640 [Proceeds to be used as defined in A.R.S. §15-1102(F)].

To comply with A.R.S. §15-341(G), districts may need to obtain written approval from the SFB prior to the sale of land or buildings.

If a district sells property in accordance with A.R.S. §15-342(10)(d), the proceeds may be used to purchase replacement property within 2 years from the sale date. If the proceeds are not used to purchase replacement property within 2 years, the proceeds must first be used to pay any outstanding bonded indebtedness and then to reduce the district's primary tax levy. A district may sell property in accordance with A.R.S. §15-342(10)(d), if all of the following conditions are met:

- The district is the sole owner of the property that the district intends to sell,
- The district did not originally purchase the property with monies that were distributed in accordance with A.R.S. §15-2001 et seq, and
- The transaction complies with A.R.S. §15-341(G).

For all other sales or leases of school property in accordance with A.R.S. §15-1102, monies deposited in the School Plant Funds may be expended for the payment of any outstanding bonded indebtedness of the district or for the reduction of district taxes. Elementary school districts and high school districts with outstanding bonded indebtedness equal to or less than 7% of the current year's assessed valuation and unified districts with outstanding bonded indebtedness equal to or less than 14% of the current year's assessed valuation may also expend a portion of monies deposited in the School Plant Funds for maintenance and operation and capital outlay, subject to the limits prescribed in A.R.S. §15-1102(B). Districts with bonded indebtedness greater than the amounts specified above may expend proceeds from the sale or lease of school property for maintenance and operation and capital outlay subject to the following limits:

1. Proceeds in Funds 500 and 505 may be expended for maintenance and operation in an amount not to exceed the lesser of the limit prescribed in A.R.S. §15-1102(B) or 25% of the proceeds. The use of proceeds in Funds 500 and 505 is not limited for capital outlay.
2. Proceeds in Fund 506 may be expended for capital outlay in an amount not to exceed 62% of the proceeds. Proceeds in Fund 506 cannot be used for maintenance and operation purposes.

All budgeted expenditures from the School Plant Funds (including maintenance and operation, and capital outlay expenditures) should be recorded on lines 6 through 8 and 30 of the Other Funds section. Footnote 2 has been included on page 6 for districts to indicate the amount budgeted in Fund 500 that will be used for maintenance and operation purposes.

Advertisement Fund (A.R.S. §15-342, as amended by Laws 2010, Ch. 332, §9)

The Website Advertisement Fund (Fund 594) was eliminated and any remaining monies and future revenues from the sale of website and other advertising space including on the exterior of school buses should now be accounted for in the Advertisement Fund (Fund 595). The monies in the fund are nonreverting and may be used for any district purpose.

Energy and Water Savings (EWS) Fund (A.R.S. §15-910.02)

The EWS Fund (Fund 665) consists of capital investment monies to fund energy or water saving projects in school facilities. Monies may be deposited in the fund from one or more companies that provide utility, energy, or water services to the district based on contracts between the companies and the district that are designed to save energy or water in school facilities. These monies must be used as a designated pool of capital investment monies to pay for the incremental cost of energy or water savings measures in school facilities owned or operated by the district.

Expenditures from the EWS Fund should be for projects or measures that save energy or water in school facilities that are owned or operated by the district and for the repayment to the qualified provider or utility, energy or water services company of capital investment monies deposited into the EWS Fund plus reasonable carrying charges based on the contract. Based on the district's repayment schedule, districts

are required to transfer on a monthly basis the amount of the monthly payments to the EWS Fund from the M&O Fund. The district's GBL must be reduced by the total amount of monies transferred to the EWS Fund included on page 7, line 9, as described in the instructions for page 7.

Any monies associated with an energy or water savings project remaining in the EWS Fund after the capital investment monies of the qualified provider or utility, energy or water services company plus a reasonable carrying charge are repaid in full may be transferred to the M&O Fund. The district's GBL may be increased by the total amount of monies transferred to the M&O Fund on page 7, line 9, as described in the instructions for page 7.

Building Renewal Grant (A.R.S. §15-2032)

The Building Renewal Grant Fund (Fund 691) consists of building renewal grant monies that districts may request from the School Facilities Board. These monies may be used for major renovations and repairs to buildings, upgrading systems and areas that will maintain or extend the useful life of buildings, and infrastructure costs.

Other Postemployment Benefits (OPEB) Fund (A.R.S. §15-1225, as added by Laws 2009, Ch. 95, §44)

Districts may establish an OPEB Fund to deposit monies to fund postemployment benefits offered to school district employees or their spouses and dependents. The monies in this fund may be used for administrative and management costs and payment of benefits. This fund is cash controlled and the monies received in this fund are nonreverting, except that at the end of five years of no activity in the fund, any remaining monies must revert to the M&O Fund. Postemployment benefits do not include benefits provided by the Arizona State Retirement System.

**PAGE 7 of 8**

For budget adoption, districts may apportion amounts on this page between the M&O and UCO Funds as described in this memo. After original adoption, amounts may be reapportioned based on the budgetary needs of the district, unless otherwise indicated on Budget, page 7, or in the following instructions.

Calculation of FY 2011 General Budget Limit (GBL) (and related capital amounts)

Record in column A all amounts budgeted for use in the M&O Fund (to be included in the GBL). Record in column B all amounts budgeted for use in the UCO Fund (to be carried over to the calculations on Budget, page 8).

Lines 1(a)-1(d). FY 2011 Revenue Control Limit

After completing the Work Sheet for FY 2011 District Support Level and Revenue Control Limit (Work Sheet E), and the Work Sheet for FY 2011 Consolidation/Unification Assistance (Work Sheet F), if applicable, enter the amount of the district RCL from line VIII of Work Sheet E, or line IV of Work Sheet F, on line 1(a). For budget adoption, no amounts should be recorded on lines 1(b) and 1(c). (A USFR memorandum similar to No. 245 will be issued in April 2011 to explain how to complete these lines.) Therefore, the amount recorded on line 1(a) should also be recorded on line 1(d) for budget adoption.

Lines 3(a)-3(c). FY 2011 Override Authorization (A.R.S. §§15-481 and 15-482)

In accordance with A.R.S. §15-185(A)(6), a district that sponsors a charter school may not include the charter school pupils in the district's student count for the purpose of computing the RCL that is used to determine the maximum allowable override as provided in A.R.S. §§15-481 and 15-482, unless the charter school is located within the boundaries of the school district.

In accordance with A.R.S. §15-951(B), the RCL used to determine the maximum M&O and Special Program overrides for Type 03 districts does not include the tuition paid by the district for high school students attending another district.

In accordance with Laws 2010, Ch. 179, §7, the elimination of the Group B weight for kindergarten students does not apply to budget limits for the purpose of calculating FY 2011 school district overrides. Therefore, districts may use a support level weight of 1.352 for kindergarten students to compute the RCL to determine the maximum override amount for FY 2011.

If a district has any override approved by the voters, the Report of Special Election Results Form should be completed online and submitted electronically to ADE, School Finance. The online form and instructions can be found at [www.azed.gov/schoolfinance/Forms/SpecialElections/SpecialElections.aspx](http://www.azed.gov/schoolfinance/Forms/SpecialElections/SpecialElections.aspx).

Line 3(a). FY 2011 Override Authorization-Maintenance and Operation

If the voters in the override election authorize the district to exceed the RCL, and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(F)], only revenues derived from the FY 2010 ending cash balance in the M&O Fund [after the primary tax rate is reduced to zero as required by A.R.S. §15-481(T)] may be used. A.R.S. §15-481(P) **Note: Districts will not be able to fund an override with Impact Aid monies in FY 2011, as Impact Aid monies will be accounted for in the Impact Aid Fund.**

The maximum amount a district may request for an M&O budget override is 15% of the district's RCL. However, if the district also requests a Special Program override pursuant to A.R.S. §15-482, the maximum amount a district may request for an M&O override is 10% of the RCL. A.R.S. §15-481(G)

Line 3(b). FY 2011 Override Authorization-Unrestricted Capital Outlay

If the voters in the override election authorize the district to exceed the Capital Outlay Revenue Limit and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(M)], only revenues derived from the FY 2010 ending cash balance in the M&O and UCO Funds [after the primary tax rate is reduced to zero as required by A.R.S. §15-481(T)] may be used. A.R.S. §15-481(S) **Note: Districts will not be able to fund an override with Impact Aid monies in FY 2011, as Impact Aid monies will be accounted for in the Impact Aid Fund.**

The maximum amount a district may request for a capital budget override is 10% of the RCL. A.R.S. §15-481(AA)

Line 3(c). FY 2011 Override Authorization-Special Program

A.R.S. §15-482, as amended by Laws 2010, Ch. 179, §2, allows a district to request a budget override for programs designed for preschool students with disabilities and students enrolled in kindergarten through grade 12. The amount for the Special Program override may not exceed 5% of the RCL. In accordance with Laws 2010, Ch.179, §4, if the district has a Special K-3 Program budget override that was authorized before November 24, 2009, that override will continue to be in effect until it expires, until the first year of a subsequent Special Program override, or until the first year of a subsequent M&O override that would cause the total overrides in effect to exceed 15% of the RCL. Districts may not have both a Special K-3 Program and a new Special Program override in effect at the same time. This line should be used to account for either type of Special Program override, as applicable.

If the voters in the override election authorize the district to exceed the RCL, and the increase is to be **fully funded by revenues other than property taxes** [A.R.S. §15-481(J)], the increase may only be budgeted and expended if sufficient monies are available in the M&O Fund. A.R.S. §15-481(Q) **Note: Districts will not be able to fund an override with Impact Aid monies in FY 2011, as Impact Aid monies will be accounted for in the Impact Aid Fund.**

Line 4. Small School Adjustment for Districts with a Student Count of 125 or less in K-8 or 100 or less in 9-12 (A.R.S. §15-949)

Districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 may budget an amount on this line. If the district exceeds these student counts, see the instructions for Work Sheets K and K2 beginning on page 20 of this memo. **Districts should not include amounts on these lines for expenditures that are to be made from the Impact Aid Fund, as established by Laws 2010, Ch. 332, §16. The Impact Aid Fund amount available to be spent should be calculated on Work Sheet L.**

Line 5. Tuition Revenue (A.R.S. §§15-823 and 15-824)

Districts charging tuition for full-day kindergarten should not include an increase to the GBL. The tuition revenue should be recorded in the Community School Fund (520).

Line 5(d). State Tuition Revenue—Certificates of Educational Convenience (CEC) (A.R.S. §§15-825, 15-825.01, and 15-825.02)

The work sheets and instructions for calculating this amount will be issued in future ADE School Finance memorandums. The amount will include excess tuition paid to districts in an adjacent state for pupils who reside in the district but are precluded by distance or a lack of adequate transportation from attending a school in their district or county of residence (out-of-state CEC students). In addition, the amount will include funding for students who are precluded by distance or lack of adequate transportation facilities from attending a school in their district or county of residence or who reside in unorganized territories (CEC-A students). The amount will also include funding for students who are placed in a school district by an agency of this State or by a state or federal court of competent jurisdiction in a corrective institution, a foster home, a child care agency, a licensed institution, or a residential facility (CEC-B students).

Line 7. Increase Authorized by County School Superintendent for Accommodation Schools

Districts should not include amounts on these lines for expenditures that are to be made from the Impact Aid Fund, as established by Laws 2010, Ch. 332, §16. The Impact Aid Fund amount available to be spent should be calculated on Work Sheet L.

Lines 8(a), (b), (d), and (g). Budget Increases

Districts should not include amounts on these lines for expenditures that will be made from the Impact Aid Fund, as established by Laws 2010, Ch. 332, §16. The Impact Aid Fund amount available to be spent should be calculated on Work Sheet L.

Line 8(a). Desegregation Expenditures [A.R.S. §15-910(G)-(K)]

The total amount budgeted for desegregation expenditures in the M&O, UCO, and Impact Aid Funds cannot exceed the amount budgeted in FY 2009. Districts should not include amounts on these lines for desegregation expenditures that are to be made from the Impact Aid Fund, as established by Laws 2010, Ch. 332, §16.

Line 8(c). Budget Balance Carryforward (A.R.S. §15-943.01)

Districts are required to use actual expenditures in calculating the budget balance carryforward. Districts that **have overexpended** in the FY 2010 M&O Fund as authorized by the County Board of Supervisors, in accordance with A.R.S. §15-907, **cannot record a budget balance carryforward.**

Districts that have **not overexpended** should complete the Work Sheet for Calculation of the FY 2011 Maintenance and Operation Fund Budget Balance Carryforward (Work Sheet M). The actual allowable budget balance carryforward may not exceed **4%** of the FY 2010 RCL. Districts may transfer an amount

to the School Opening Fund, not to exceed the lesser of the FY 2010 M&O Fund ending cash balance or the actual allowable budget balance carryforward. The amount transferred will reduce the amount of the budget balance carryforward; therefore, the amount carried forward may not exceed the amount on Work Sheet M, line 12.

Line 8(d). Dropout Prevention Programs (Laws 1992, Ch. 305, §32 and Laws 2000, Ch. 398, §2)

A district authorized by ADE to continue participation in the Dropout Prevention Programs for FY 2011 may record on this line an amount not to exceed the amount budgeted for the Dropout Prevention Programs in FY 1991.

Line 8(e). Assistance for Education (A.R.S. §15-973.01)

For budget adoption, this line should be left blank. For budget revisions, districts will enter the amount of Assistance for Education monies received from ADE. School Finance will notify districts if Assistance for Education monies will be available for FY 2011 and will provide information on revising the Budget if necessary.

Line 8(f). Interest Expense Incurred for FY 2010 and 2011 due to Deferred State Aid Payments (Laws 2009, 3<sup>rd</sup> S.S., Ch. 12, §59)

A district that incurred interest expense in FY 2010 or expects to incur interest expense in FY 2011, for registering warrants related to deferred payments of state aid may budget an estimated amount for those interest expenses. If the budgeted amount is greater than the amount received from ADE, the district may only spend what was received.

Line 8(g). Registered Warrant or Tax Anticipation Note Interest Expense Incurred in FY 2009  
[A.R.S. §15-910 (M)]

A district may budget an amount less than or equal to interest expense for registering warrants or for net interest expense (interest expense minus interest income) on tax anticipation notes outside the FY 2011 RCL, **if both of the following conditions apply:**

1. The County Treasurer pooled all school district monies for investment during FY 2009 as provided in A.R.S. §15-996.
2. For those districts that received state aid in FY 2009, the districts applied for state aid apportionment before the date set as provided in A.R.S. §15-973.

Line 8(h). Joint Career and Technical Education and Vocational Education Center (A.R.S. §15-910.01)

For the first 3 years that a joint career and technical education and vocational education center is operating and serving students, all or a portion of the center's expenditures may be budgeted outside the RCL. The district must notify the State Board of Education before adopting a Budget for the first year of operation, and notify ADE School Finance if line 8(h) will be used in calculating the GBL. **However, this provision does not apply to joint technical education districts established pursuant to A.R.S. §15-392.**

Line 8(i). FY 2010 Career Ladder Unexpended Budget Carryforward [A.R.S. §15-918.04(C)]

Enter the amount of the FY 2010 Unexpended Budget for Career Ladder that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.f.

Line 8(j). FY 2010 Optional Performance Incentive Program Unexpended Budget Carryforward (A.R.S. §15-919.04)

Enter the amount of the FY 2010 Unexpended Budget for the Optional Performance Incentive Program that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.g.

Line 8(k). FY 2010 Performance Pay Unexpended Budget Carryforward (A.R.S. §15-920)

Enter the amount of FY 2010 Unexpended Budget for Performance Pay that may be budgeted outside the RCL, which was calculated on Work Sheet M, line 6.h. Do not include amounts budgeted for the Performance Pay component of the CSF here.

Line 8(l). Excessive Property Tax Valuation Judgments (A.R.S. §§42-16213 and 42-16214)

This line should be used to record the amount of any judgment expected to be paid in FY 2011 for an excessive property tax valuation judgment per A.R.S. §§42-16213 and 42-16214. This amount should also be included on page 1, line 10.

Line 9. Adjustment to the General Budget Limit [A.R.S. §§15-105, 15-272, 15-905(M), 15-910.02, and 15-915]

Districts should complete the detailed table to the right of line 9. These amounts will automatically be transferred to line 9. The table should be used to reduce the FY 2011 GBL for exceeding the prior year(s) GBL, for exceeding the M&O section of the Budget, Early Graduation Scholarship reductions, transfers to/from the EWS Fund, for A.R.S. §15-915 adjustments as approved by ADE, or other adjustments. Reductions/decreases should be entered as negative amounts. If more than 1 year is recorded, indicate each year and the associated amount within the table, but record only one combined amount for all years. Do not use this line to subtotal the amounts recorded for lines 8(a) through (m). **NOTE: In accordance with Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §12, the Early Graduation Scholarship Program has been suspended for FY 2011.**

## PAGE 8 of 8

### Unrestricted Capital Budget Limit

Lines A.1 through A.7 must be completed to determine the Unexpended Budget Balance in Fund 610 that may be carried forward and budgeted in FY 2011.

Line A.2. Total Unrestricted Capital Budget Limit Adjustment for Prior Years

Enter zero for budget adoption purposes. Record any such adjustments before May 15 if notified to do so by ADE on the BUDG75 report. **Amounts on this line must be negative.** Positive adjustments approved by ADE in accordance with A.R.S. §15-915 should be included on line A.10.

Line A.9. Monies deposited in Fund 610 from School Facilities Board for Donated Land [A.R.S. §15-2041(F)]

The district should forward a copy of the award letter from the SFB stating the specific amount being deposited in Fund 610, to ADE, School Finance in order to receive budget capacity for this item.

Line A.10. Adjustment to UCBL for FY 2011 [A.R.S. §15-905(M)]

Districts should complete the detailed table to the right of line A.10. These amounts will automatically be transferred to line A.10. The table should be used to reduce the FY 2011 UCBL for exceeding the FY 2010 UCBL, for exceeding the FY 2010 UCO section of the Budget, or for A.R.S. §15-915

adjustments as approved by ADE. If more than 1 year is recorded, indicate each year and the associated amount within the table, but record only one combined amount for all years.

Line A.12. FY 2011 Unrestricted Capital Budget Limit

The amount budgeted on Budget, page 4, line 10, cannot exceed this amount.

Soft Capital Allocation Limit

Lines B.1 through B.7 must be completed to determine the Unexpended Budget Balance in Fund 625 that may be carried forward and budgeted in FY 2011.

Line B.2. Total SCAL Adjustment for Prior Years

Enter zero for budget adoption purposes. Record any such adjustments before May 15 if notified to do so by ADE on the BUDG75 report. **Amounts on this line must be negative.** Positive adjustments approved by ADE in accordance with A.R.S. §15-915 should be included on line B.11.

Line B.10. Capital Transportation Adjustment Approved by State Board of Education [A.R.S. §15-963(B)]

Enter the amount approved by the State Board of Education for a Capital Transportation Adjustment. Districts are eligible to receive a Capital Transportation Adjustment for the purchase of transportation vehicles if the district:

- Has a student count of fewer than 600 in kindergarten and grades 1-12,
- Transports as eligible students at least one-third of the total student count of the district, and
- Has an approved daily route mileage per eligible student transported of more than 1.0, calculated in accordance with A.R.S. §15-945 on Work Sheet D.

Line B.11. Adjustment to SCAL for FY 2011 [A.R.S. §15-905(M)]

Districts should complete the detailed table to the right of line B.11. These amounts will automatically be transferred to line B.11. The table should be used to reduce the FY 2011 SCAL for exceeding the FY 2010 SCAL, for exceeding the FY 2010 SCA section of the Budget, or for A.R.S. §15-915 adjustments as approved by ADE. If more than 1 year is recorded, indicate each year and the associated amount within the table, but record only one combined amount for all years.

**Districts should also record the reduction to their FY 2011 SCAL as required by Laws 2010, 7<sup>th</sup>S.S., Ch. 8, §9, in the table.** To the extent possible, these reductions should be taken against administrative costs, rather than classroom instruction. Districts that have questions on the reduction should contact ADE's payment team at [SFPaymentTeam@azed.gov](mailto:SFPaymentTeam@azed.gov).

Line B.12. FY 2011 Soft Capital Allocation Limit

The amount budgeted on Budget, page 4, line 19, cannot exceed this amount.

Classroom Site Fund Budget Limit

Districts should complete the table at the bottom of Budget, page 8 to calculate the CSFBL. These amounts will automatically be transferred to lines C.1 through C.7.

Lines C.1 through C.3 must be completed to determine the Unexpended Budget Balance in the CSF that may be carried forward and budgeted in FY 2011.

Line C.5. FY 2011 Classroom Site Fund Allocation

Enter the FY 2011 allocation for the district, based on the district's weighted student count multiplied by \$120. The per pupil amount has been adjusted for prior year revenue shortfalls and therefore actual payments received by districts may differ from the estimated per pupil CSF allocation. The FY 2011 CSF estimates will be available on ADE's Web site at [www.azed.gov/schoolfinance/Forms/Budgets](http://www.azed.gov/schoolfinance/Forms/Budgets). To ensure compliance with the requirements of A.R.S. §15-977, districts must apportion the FY 2011 CSF allocation 20% to Fund 011, 40% to Fund 012, and 40% to Fund 013.

Line C.6. Adjustments to FY 2011 Classroom Site Fund Budget Limit

Some districts have lost CSF budget capacity from budgeting less than the CSFBL in prior years. This line may be used to recapture that budget capacity. Districts that need assistance with the adjustment should contact ADE's budget team at [SFBudgetTeam@azed.gov](mailto:SFBudgetTeam@azed.gov).

Line C.7. FY 2011 Classroom Site Fund Budget Limit

The total amount budgeted on Budget, page 3, line 40, and footnote (1) on that page, cannot exceed this amount. See instructions for Budget, page 3, beginning on page 6 of this memo, for further guidance.

**SUPPLEMENT TO SCHOOL DISTRICT ANNUAL EXPENDITURE BUDGET**

Only those districts that budget expenditures for Special Education Disability ESEA, Title VIII Add-On monies for the disabled; for a Special K-3 Program Override, in accordance with A.R.S. §15-903(D) and Laws 2010, Ch. 179, §4; for a Joint Career and Technical Education and Vocational Education Center, in accordance with A.R.S. §15-910.01; or for English Language Learners in accordance with A.R.S. §§15-756.04 and 15-756.11; or for State Fiscal Stabilization Fund monies in accordance with Laws 2010, 7<sup>th</sup> S.S., Ch. 1, §145; must complete this Supplement.

**PAGE 1 (M&O Fund Supplement)**

M&O Fund expenditures for the aforementioned programs should be budgeted by function and object code. The totals for each program's expenditures used for maintenance and operation purposes should be entered on lines 10, 20, and 30 on page 1 of the Supplement, as appropriate, and on lines 25, 28, and 30 on page 1 of the Budget, as appropriate.

**PAGE 2 (Unrestricted Capital Outlay Fund Supplement)**

Line 49. Total Column

The capital expenditures recorded for ESEA, Title VIII Add-On monies for the disabled, Special K-3 Program Override, and a Joint Career and Technical Education and Vocational Education Center should also be included in the individual line items for the Unrestricted Capital Outlay Fund on page 4 of the Budget.

**PAGE 3 (English Language Learners Supplement)**

Expenditures for the Structured English Immersion Fund 071 should be budgeted by function and object code. Expenditures from the fund should be coded to program code 260—ELL Incremental Costs in the district's accounting records. Total expenditures for the fund on line 10 should be entered on page 6 of the Budget. See pages 4 and 8 of this memo for more information.

Expenditures for the Compensatory Instruction Fund 072 should be budgeted by function and object code. Expenditures from the fund should be coded to program codes 265—ELL Compensatory Instruction and 435—Pupil Transportation—ELL Compensatory Instruction, as applicable in the district's accounting records. Total expenditures for the fund on line 20 should be entered on page 6 of the Budget. See pages 4 and 8 of this memo for more information.

#### **PAGE 4 (State Fiscal Stabilization Fund Supplement)**

Expenditures of the federal American Recovery and Reinvestment Act, State Fiscal Stabilization Fund (SFSF) monies should be budgeted by program code in the M&O, UCO, SCA, and Joint Technical Education (JTE) Funds, as applicable. The M&O expenditures should also be included on lines 1-10, 13, 15-23, and 26 on page 1 of the Budget. The UCO and SCA expenditures should also be included on lines 2-9 and 11-18 on page 4 of the Budget, as appropriate. If the Joint Technical Education District (JTED) passes through SFSF monies to the member districts, the JTED member districts should budget for expenditures in the JTE Fund (Fund 596) with program code 271-Vocational and Technical Education-SFSF. For further guidance on recording the State Fiscal Stabilization Fund monies, see the Office of the Auditor General's e-mails dated September 24, 2009, and April 28, 2010, available at [www.azauditor.gov/Reports/School\\_Districts/School\\_District\\_FAQs.htm](http://www.azauditor.gov/Reports/School_Districts/School_District_FAQs.htm).

#### **FY 2011 TRUTH IN TAXATION WORK SHEET**

In accordance with A.R.S. §15-905.01, a district must hold a truth in taxation hearing on or before the adoption of the expenditure budget if the district budgets an amount that is higher than the truth in taxation base limit, levies any amount for adjacent ways pursuant to A.R.S. §15-995, or levies any amount for liabilities in excess of the budget pursuant to A.R.S. §15-907.

**All districts** must complete the Truth in Taxation Work Sheet to calculate the district's truth in taxation base limit, to determine if a hearing is required, and to report the portion of the FY 2011 primary property tax rate related to each of the truth in taxation expenditure categories. **Information from this Work Sheet is provided to the Department of Revenue, Property Tax Oversight Commission.** If an amount on line 20, 21, or 22 is greater than zero, the district must publish a truth in taxation hearing notice and hold a hearing. The amounts calculated on lines A, B.2, and C.2 of the Work Sheet should be used, where indicated, on the sample truth in taxation hearing notice. Districts must submit the completed Work Sheet to ADE as part of the budget package and must notify ADE of any subsequent changes to the truth in taxation base limit. If a truth in taxation hearing is held, the Work Sheet must also be made available to the general public at the hearing. See page 2 of this memo and A.R.S. §15-905.01 for further requirements.

**Note: The truth in taxation work sheet and notice do not need to be completed for budget revisions. The impact of any revisions should be included in the following year's truth in taxation calculation.**

#### **SUMMARY OF SCHOOL DISTRICT PROPOSED EXPENDITURE BUDGET**

##### **PAGE 2**

##### **Total Expenditures by Fund**

Include Classroom Site Funds 011, 012, and 013 from Budget, page 3, on the line for the Classroom Site Funds as well as any amount of CSF monies paid to district-sponsored charter schools included on Budget, page 3, footnote 1. Include School Plant Funds 500-506 and 640 from Budget, page 6, on the line for School Plant Funds.

## **BUDGET WORK SHEETS**

### **WORK SHEET A**

In accordance with A.R.S. §15-954(C), if the district of residence is a joint unified district that phases in instruction over more than 1 year, the district should complete a separate work sheet for each phase.

### **WORK SHEET B**

#### Line A.1. FY 2011 Student Count

For common school districts not within a high school district (Type 03), the 9-12 column for this line should include only those students actually taught by the Type 03 district, if any.

#### Line A.2. District-Sponsored Charter School Estimated ADM

Include on line A.2 pupils new to the district attending a district-sponsored charter school and pupils who attended a district-sponsored charter school in FY 2010 and will be attending a district-sponsored charter school in FY 2011. For budget adoption, the district should use an estimated student count based on actual pupil registration at the charter school. After the 100th day, the student count must equal the actual ADM as provided in A.R.S. §15-185, not including charter school students who attended a district school other than a charter school in FY 2010 (i.e., students included on line A.1 should not be included on line A.2).

#### Lines C.1 through C.5. PSD-12 Weighted Student Count

The student count for line C.1 should be obtained from ADE report “Recalculated State Aid ADM Counts-ADMS 46-1” for the 100<sup>th</sup> day. The actual student counts for lines C.2 and C.3 should be obtained from lines A.1 and A.2.

### **WORK SHEET C**

#### Line IV.A. Base Level Amount

In accordance with A.R.S. §15-919, the Superintendent of Public Instruction should have submitted its recommendations on applications for the Optional Performance Incentive Program for FY 2011 to the State Board by May 15, 2010. However, if the Superintendent of Public Instruction submitted its recommendations to the State Board after May 15, a district with a pending application may increase its FY 2011 base level amount for the Optional Performance Incentive Program by the amount the district anticipates will be authorized by the State Board. However, if State Board approval is not received by October 1, 2010, the district must recalculate its Budget without the anticipated increase in the base level amount.

#### Line VI. Teacher Experience Index

Use the FY 2010 “Teacher Experience Index (TEI)—SDER 96” available on ADE’s Web site at [www.azed.gov/sder/publicreports.asp](http://www.azed.gov/sder/publicreports.asp). Districts should print a copy or save an electronic copy for its records.

#### Line XI. FY 2009 Nonfederal Audit Service Actual Expenditures

In accordance with A.R.S. §15-914, a district that will expend monies in FY 2011 to pay for a required financial and compliance audit, may increase the base support level (BSL) for FY 2011 by an amount equal to the nonfederal portion of the audit costs paid in FY 2009. Districts may not increase the BSL for the federal portion of audit costs even if paid from the M&O Fund.

Enter the FY 2009 M&O expenditures related to audits of nonfederal funds on line XI. Enter the amount of audit service expenditures made in FY 2009 related to audits of all federal programs (funds) in the

blank space provided in footnote (7). Amounts reported must be amounts actually expended in FY 2009 as reported on the FY 2009 Annual Financial Report. Do not include the costs of consulting or other nonaudit services paid to audit firms (e.g., application fees paid for submission of district's Comprehensive Annual Financial Report to ASBO and GFOA for certification) in the nonfederal or federal audit services actual expenditures.

Line XII. Decreases for Charter School Federal and State Monies Received

In accordance with A.R.S. §15-185(D), districts sponsoring charter schools must reduce the BSL by the amount of monies received from federal and state agencies for the basic maintenance and operation of charter schools, except for Federal Impact Aid ESEA, Title VIII and state equalization assistance monies. Do not include supplemental federal or state grants received for a specific purpose such as ESEA Title I, IDEA Part B, stimulus grants, and federal food program reimbursements. Districts should not reduce the BSL by more than the amount by which the charter school increased the district's BSL and SCA. The amount entered on this line should be negative.

In accordance with A.R.S. §15-185, in the first year a district school becomes a charter school and is being operated for or by the same district, the sponsoring district must reduce the BSL on line XII. The reduction is equal to the amount of the BSL and additional assistance received for those students who were enrolled in the district school in the prior year and are now enrolled at the charter school. Operated for or by the same district means the charter school is either governed by the same governing board or operated by the district in the same manner as other district schools, or is operated by an independent party contracted by the district.

Line XIII. Decrease for Charter School Nonparticipation Adjustment

A.R.S. allows districts to increase the BSL for teacher compensation, career ladder, optional performance incentive programs, and teacher experience index. However, districts that are approved for these programs, that are sponsoring charter schools that are not approved to participate in these programs, must reduce the BSL by any increase applied to the charter school student count. The amount entered on this line should be negative.

**WORK SHEET D**

Lines II.C.1 and II.C.2. FY 2010 Annual Expenditure for Bus Tokens and Passes

These lines are used to increase the transportation support level for the annual expenditure for bus tokens and passes for students who qualify as eligible students as defined by A.R.S. §15-901. Enter the FY 2010 annual expenditures by district schools other than charter schools for bus tokens and passes from the ADE report "Transportation Route Report-TRAN 55-1."

Lines VIII.C and D. FY 2011 Transportation Revenue Control Limit

In accordance with A.R.S. §15-946, the FY 2011 Transportation Revenue Control Limit (TRCL) cannot increase from the FY 2010 TRCL amount if the FY 2011 TRCL would exceed 120% of the FY 2011 Transportation Support Level (TSL) as calculated on line VIII.B. However, the Adjusted FY 2011 TRCL calculated on line VIII.C should not result in a FY 2011 TRCL that is less than the FY 2011 TSL. Lines VIII.C and D calculate any required adjustments to the FY 2011 TRCL.

**WORK SHEET I**

Lines V.D.1 through V.D.5. Additional Assistance

In accordance with A.R.S. §15-185, as amended by Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §1, charter schools sponsored by school districts are eligible to receive additional assistance. The total amount of additional assistance must be included in the funding provided to the charter school. However, in accordance with

Laws 2010, 7<sup>th</sup> S.S., Ch. 1, §31 and Ch. 8, §7, ADE must reduce a portion of additional assistance for all charter schools in FY 2011. Therefore, school districts that sponsor charter schools should record the adjustment amount, as provided by ADE, on line V.D.4.

## **WORK SHEET J**

Common school districts not within a high school district (Type 03) should only complete Sections I and III.B of the Work Sheet. All other districts should complete sections I, II, and III.A.

### Lines III.A.8 and III.B.12. Qualifying Tax Rate

Enter the sum of \$1.4797 for PSD-8 and 9-12; and if applicable, the tax rate increase for the district's Career Ladder Program per A.R.S. §15-918.05; **or** Optional Performance Incentive Program costs per A.R.S. §15-919.05. In accordance with A.R.S. §15-971(B)(3), the qualifying tax rate for a joint technical education district is 5 cents.

### Line III.A.12 Total FY 2011 Equalization Assistance

In accordance with Laws 2010, 7<sup>th</sup> S.S., Ch. 8, §8, ADE must only distribute state aid for joint technical education districts (JTED) at 91% of the state aid that would otherwise be provided by law and adjust the budget limits accordingly. However, a JTED will not receive less total equalization formula funding (state aid + local property taxes) than it received for the previous year except from reductions due to changes in ADM, net assessed property values or other technical factors or due to prior year adjustments or corrections. Therefore, the JTED's actual total equalization assistance may be less than the amount calculated on line III.A.12. Footnote 4 discloses the maximum amount of the reduction that may be required to state aid and the applicable limits.

## **WORK SHEETS K AND K2**

If a district used the small school adjustment for districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 and exceeded the allowable student count for the first time before FY 2000, and has exceeded the qualifying student count for FY 2011, the district may choose one of the following options, if applicable.

1. The district may continue to adopt a budget using the small school adjustment without an election; however, the adjustment may not be greater than \$50,000. Enter amounts, the total of which must be less than or equal to \$50,000 on the Budget, page 7, line 4.
2. The district may hold an override election as provided in A.R.S. §15-481. The amount of the override is limited to the amount calculated on Work Sheet K.

If a district used the small school adjustment for districts with a student count of 125 or less in grades K-8, or 100 or less in grades 9-12 and exceeded the allowable student count for the first time after FY 1999 and has exceeded the qualifying student count for FY 2011, the district may hold an override election as provided in A.R.S. §15-481. The amount of the override is limited to the amount calculated on Work Sheet K2.

## **WORK SHEET L**

All districts that receive ESEA, Title VIII (Impact Aid) revenue must complete Work Sheet L. This Work Sheet should be used to determine the amount of FY 2011 Impact Aid revenues to deposit in the Impact Aid Fund. Also, for FY 2011 only, districts will need to calculate the FY 2010 ending cash balance in the M&O Fund that is comprised of federal Impact Aid revenues. Line VI.D will calculate the cash balance that should be transferred from the M&O Fund to the Impact Aid Fund. Budget, page 6, Federal Projects, line 16 should not exceed the amount available to be spent in the Impact Aid Fund (line VII).

## **WORK SHEET M**

### Line 6.f. Career Ladder

In accordance with A.R.S. §15-918.04, districts may budget any unexpended budget balance in the M&O section attributable to the Career Ladder Program from FY 2010 for use only in the Career Ladder Program in FY 2011. Additionally, the amount calculated on this line is specifically exempt from the RCL and should be entered on the Budget, page 7, line 8(i).

### Line 6.g. Optional Performance Incentive Program

In accordance with A.R.S. §15-919.04, districts may budget any unexpended budget balance in the M&O section attributable to the Optional Performance Incentive Program from FY 2010 for use only in the Optional Performance Incentive Program in FY 2011. Additionally, the amount calculated on this line, is specifically exempt from the RCL and should be entered on the Budget, page 7, line 8(j). Pursuant to A.R.S. §15-919.06, the amount of the Optional Performance Incentive Program monies carried forward must be accounted for separately in districts' records.

### Line 6.h. Performance Pay

In accordance with A.R.S. §15-920, districts may budget any unexpended budget balance in the M&O section attributable to the Performance Pay component in its salary schedule from FY 2010 for use in that component in FY 2011. Additionally, the amount calculated on this line, is specifically exempt from the RCL and should be entered on the Budget, page 7, line 8(k).

## **WORK SHEET O**

Work Sheet O applies only to common school districts not within a high school district (Type 03) and should be completed to determine the tuition increase to the GBL, DSL, and RCL. A copy of Work Sheet O should be completed for each district of attendance that the district of residence pays tuition to for high school students. A.R.S. §§15-910(L), 15-448(J), and 15-951

### Line VI. Tuition Increase to General Budget Limit

The amount recorded on line VI for each Work Sheet O should be added together and entered on the Budget, page 7, line 8(b).

### Line VII. Increase to District Support Level and Revenue Control Limit

The amount recorded on line VII for each Work Sheet O should be added together and entered on Work Sheet E, lines II and VI.

## **DESEGREGATION SUPPLEMENT**

Only those districts that budget expenditures for Desegregation, in accordance with A.R.S. §15-910(J) and (K) must complete the Desegregation Supplement and related forms. The Desegregation Supplement and related forms have been included in three separate files and should be completed and submitted with the Budget forms. Specific instructions for completing the Supplement and related forms can be found in the Desegregation Instructions file.

If you have any questions or need assistance, please call the Office of the Auditor General, Accounting Services Division at (602) 553-0333, or ADE, School Finance at (602) 542-5695.