

October 1, 2009

The purpose of this e-mail is to provide guidance to governmental and not-for-profit charter schools on how to account for the American Recovery and Reinvestment Act, State Fiscal Stabilization Fund (SFSF) monies.

Background

Laws 2009, 3rd Special Session, Chapter 11, §14 (HB2006), provided that if the state received federal assistance from the State Fiscal Stabilization Fund, \$472.1 million of these monies would be used to reduce the Arizona Department of Education's (ADE) FY 2010 appropriation from the state general fund for state aid payments. This is one of the budget fixes that is being implemented to help balance the State's FY 2010 budget.

Recording Revenues

Eligible schools were previously notified by ADE that they needed to complete a grant application in order to receive the SFSF monies. Once schools are notified that their application has been approved and they receive their first SFSF payment, they will need to begin accounting for the monies. The SFSF payments will be made by ADE through the Grants Management Enterprise system and should be labeled "ARRA-Education Stabilization Fund." Schools should use revenue object code **4500-Restricted Revenue Received from the Federal Government through the State** to record these payments.

The intention of the Governor's Office and the Legislature is to use these monies to replace state aid revenues for FY 2010; therefore, schools will deposit them in the same project that normally receives state aid – Schoolwide Project.

Recording Expenses

Schools should refer to the grant application for information on allowable uses of and restrictions on the SFSF monies. These monies must be tracked separately within each school's accounting system in order for schools and the State to be able to fulfill the federal reporting requirements associated with the SFSF monies. Schools will need to establish program sub-codes within the program codes currently assigned in the USFRCS Chart of Accounts to separately track the SFSF expenses. We have assigned the following required program sub-codes to be used.

199—Regular Education-SFSF

261—English Language Learners Incremental Costs-SFSF

266—English Language Learners Compensatory Instruction-SFSF

271—Vocational and Technological Education-SFSF

299—Special Education Other-SFSF (disability and other categories)

439—Pupil Transportation-English Language Learners Compensatory Instruction-SFSF

479—Pupil Transportation-Vocational and Technological Education-SFSF

499—Pupil Transportation Other-SFSF

699—Other Instructional Programs-SFSF

If schools want to separately track each special education disability and other categories within their accounting systems, they may set up the following optional program sub-codes in place of program sub-code 299 listed above:

Special Education-SFSF:

281—Autism

- 282—Emotional Disability
- 283—Hearing Impairment
- 284—Other Health Impairments
- 285—Specific Learning Disability
- 286—Mild, Moderate, or Severe Mental Retardation
- 287—Multiple Disabilities
- 288—Multiple Disabilities with Severe Sensory Impairment
- 289—Orthopedic Impairment
- 293—Speech/Language Impairment
- 294—Traumatic Brain Injury
- 295—Visual Impairment
- 296—Gifted Education
- 297—Remedial Education
- 298—Career Education

Impact on Charter School Audits

Governmental and not-for-profit schools should consider the amount of SFSF monies expended as part of their total federal expenses in determining whether they have exceeded the single audit threshold. If schools expend \$500,000 or more in federal awards, they are required to obtain an annual single audit. If a school should need to obtain a single audit due to the amount of SFSF monies expended in FY 2010, it should submit an engagement letter for a single audit to the Arizona State Board for Charter Schools. For more information on single audits, see USFRCS §VIII (Audit Requirements) available on our Web site at www.azauditor.gov/manuals_charter.htm or the Arizona State Board for Charter Schools Audit Guidelines Memorandum available on their Web site at www.asbcs.az.gov/school_resources/audit_guidelines.asp.

Cash Management

Schools are required to follow federal cash management guidelines and must use the SFSF monies quickly once they are received. In order to comply with these guidelines, schools may want to make journal entries to move FY 2010 prior month(s)' eligible expenses to the SFSF program codes. If journal entries are used to reclassify expenses, the school must maintain detailed supporting documentation of those expenses reclassified to the SFSF program codes.

Future Guidance

The final FY 2010 Budget will be modified to allow schools to budget for the SFSF monies in the Schoolwide project. Similar changes will be incorporated into the FY 2010 AFR to allow schools to report the revenues and expenses for the SFSF monies. We will issue additional e-mails as needed to provide guidance on accounting for the SFSF monies.

If you have any questions regarding this e-mail, please contact Sara Thomas or Michael Stelpstra at (602) 553-0333, or e-mail us at asd@azauditor.gov.

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