

Arizona
Department of Education



Office of the
Auditor General

USFR MEMORANDUM NO. 263

TO: School District Administrators; County School Superintendents

FROM: Laura Miller, Office of the Auditor General
Lyle Friesen, Arizona Department of Education

DATE: May 15, 2015

SUBJECT: Fiscal Year (FY) 2016 School District Annual Expenditure Budget Package (Supersedes USFR Memorandum No. 261)

Arizona Revised Statutes (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 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 the Arizona Department of Education (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.

The expenditure budget package includes the instructions for completing the FY 2016 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 the related forms. All forms and work sheets have been revised for recent legislation as needed. The more significant changes from last year's budget package are described in the accompanying Summary of Significant Changes document and in the following paragraphs related to a **new public meeting requirement for FY 2016**. Detailed instructions for preparing the expenditure budget forms, work sheets, and desegregation budget are included on an instructions tab in the related Excel files.

FY 2016 Public Meeting Requirement

Laws 2015, Chapter 15, §11 requires all school districts to hold a public meeting to present the school district's plan for proposed district additional assistance reductions pursuant to that law. The law also requires that the governing board include the percentage of classroom spending in the combined categories of instruction, student support, and instructional support as defined by the Auditor General, in the school district's adopted budget on the page of the budget that the governing board members sign. The law further indicated that it is the intent of the governor and the legislature that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support as defined by the Auditor General.

Instructions on calculating these budgeted percentages are included in the instructions for completing the cover page of the budget.

Additionally, districts with a letter grade classification of C, D, or F, are required to allow thirty days after the public meeting described above for the community to submit comments and recommendations to the governing board. The governing board must then consider the comments and recommendations of the community at a public meeting.

Proposed Budget

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 governing board meeting held to propose a budget is subject to the standard 24-hour advance notice of board meetings. The proposed Budget and related Summary must be kept on file at the district and made available to the public upon request. Additionally, in accordance with A.R.S. §15-905(A)(2), districts that maintain a Web site must provide a link on their Web site to ADE's Web site where the district's proposed budget summary can be viewed www.ade.az.gov/schoolfinance/Forms/Budgets/ProposedBudget/EntitySelection.aspx. Districts must also e-mail to the School Finance Budget Team (SFBudgetTeam@azed.gov) a clickable link to their Web page where the proposed budget link was placed. For audit purposes, districts should retain a copy of the e-mail and a screen shot of their Web site. The screen shot should **not** be e-mailed to ADE.

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 to adopt the budget by one of the following methods:

- **Posting to ADE's Web site**—Transmit the proposed Budget or Summary and notice of hearing electronically to ADE via the Common Logon for posting on ADE's Web site. Districts posting to ADE's Web site should use the hearing notification form included with this Memorandum and provide a link on their Web site to ADE's Web site where the proposed Budget Summary and hearing notification can be viewed www.ade.az.gov/schoolfinance/Forms/Budgets/ProposedBudget/EntitySelection.aspx. Districts must also e-mail to SFBudgetTeam@azed.gov a clickable link to the page on their Web site that contains these items. For audit purposes, Districts should retain a copy of the e-mail and a screen shot of the page on their Web site. The screen shot should **not** be e-mailed to ADE.
- **Publishing in a Newspaper**—Print the proposed Budget or Summary and notice of hearing in at least 8-point type in a newspaper of general circulation within the district. The publisher's affidavit of newspaper publication must be filed with the Superintendent of Public Instruction within 30 days of the publication or mailing. To meet this requirement, districts should scan and e-mail the affidavit to SFBudgetTeam@azed.gov.
- **Mailing**—Mail the proposed Budget or Summary and notice of hearing to each household in the district. An affidavit or other documentation of mailing must be filed with the Superintendent of Public Instruction within 30 days of the publication or mailing. To meet this requirement, districts should scan and e-mail the affidavit to SFBudgetTeam@azed.gov.

Truth in Taxation Requirements

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, 9th 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.

Budget Adoption

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 A.R.S. §15-905(E), districts that maintain a Web site must provide a link to the ADE's Web site where the district's adopted budget is posted. To link to the ADE's Web site (a) navigate to the district's ADE submitted file status page (<https://www.ade.az.gov/Budget/EntitySelection.asp>), (b) right click on the district's uploaded adopted budget Excel file link, (c) select "copy shortcut", and (d) paste the link to the district's Web site. For audit purposes, districts should retain a copy of the e-mail and a screen shot of the page on their Web site. The screen shot should **not** be e-mailed to ADE.

Budget Revision

If a district is notified by ADE that the adopted Budget is in excess of the General Budget Limit (GBL) or Unrestricted Capital Budget Limit (UCBL) by 1% or more of its GBL, the adopted Budget must be revised so as not to exceed the GBL or UCBL on or before December 15. For required December 15 revisions, the district must publish the notice of a public hearing and board meeting no later than 10 days prior to the meeting. If the district is notified by ADE that the adopted Budget is in excess of the GBL or UCBL by less than 1% or more of its GBL, the district is not required to prepare a December 15 revision, but must adjust the current year budget before May 15.

All districts that revise their FY 2016 adopted budget including revisions of the GBL, UCBL, Classroom Site Fund Budget Limit (pages 7 and/or 8), Maintenance and Operation Fund budget (page 1), Unrestricted Capital Outlay Fund budget (page 4), or Classroom Site Fund budget (page 3), as allowed by statute, including revisions due to adjustments to the Revenue Control Limit on page 7, for student growth as applicable, must have final revisions completed and approved at a Governing Board meeting before May 15. For these revisions, the district should post the standard 24-hour advance notice of the board meeting and hold a public hearing. A.R.S. §15-948(C)

Budget Submission

Districts are required to submit their budget to the Superintendent of Public Instruction and the CSS as described below. However, districts in the Accounting Responsibility Program as defined in A.R.S. §15-914.01, are not required to submit their budgets to the CSS.

Type of Budget	Submit No Later Than
Proposed	July 5
Adopted	July 18
December Revision	December 18
May Revision	May 18

ADE will only accept FY 2016 budget forms and work sheets submitted electronically using either the Excel forms with the 5/15 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/reports-publications/school-districts/forms or ADE's Web site at www.azed.gov/finance/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/. After uploading the files, districts should verify the files have processed by checking their file submission page at www.ade.az.gov/Budget/EntitySelection.asp. If the files did not process, districts should click on the error message link. If unable to correct the error, districts should then contact ADE by e-mailing SFBudgetTeam@azed.gov for assistance. For Common Logon password information or help, districts should contact the ADE Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636] or e-mail enterprise@ade.az.gov.

The information on the left side of the cover page must be updated when the budget is proposed, adopted, or revised, and the cover page should be printed out for signatures. Each time the forms are electronically submitted to ADE through the Common Logon, (1) the date should be recorded and (2) **Governing Board Members, the Superintendent, and the Business Manager should sign where indicated.** Within 5 days of the electronic submission to ADE, the district should scan and e-mail the signed cover page to SFBudgetTeam@azed.gov. ADE will only accept electronic/scanned copies of the cover page.

If you have any questions or need assistance, please contact the Office of the Auditor General, Accounting Services Division at (602) 553-0333 or asd@azauditor.gov, or ADE, School Finance at (602) 542-5695 or SFBudgetTeam@azed.gov.