



# **Project balance reserve reporting in FY 2024 annual financial report (AFR) and FY 2025 budget forms**

Accountability Services Division

March 2024

# Meeting outline

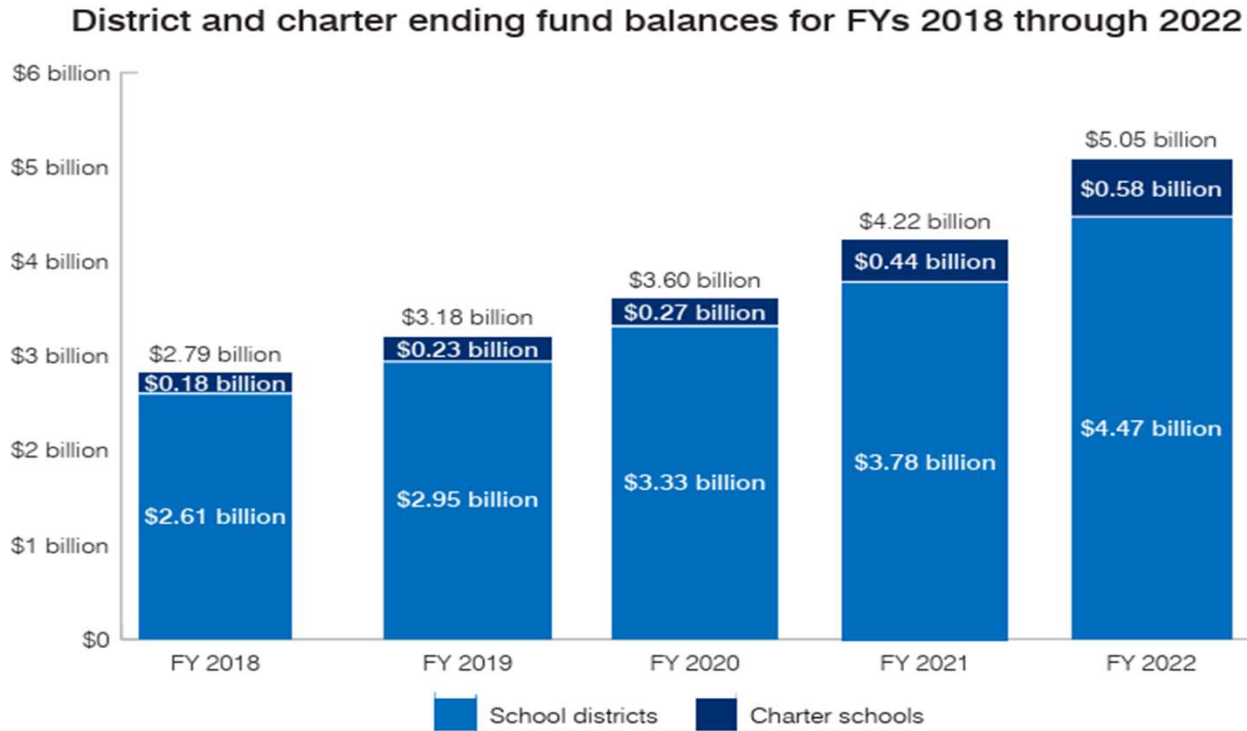


- COVID-19 special report followup
- Project balance reserve policy best practices
- FY 2023 AFR project balance reserve reporting format
- FY 2025 budget forms project balance reserve reporting format
- Participant questions and comments

# COVID-19 special report followup



Since FY 2020, district fund balances increased over \$1.14 billion, or 34 percent, and charter fund balances increased approximately \$0.31 billion, or 115 percent.



# Why are project balance reserve policies important?

Mitigates current and future financial risks

Provides structure and guidelines when establishing yearly budgets

Helps ensure public transparency and accountability

# Reserve balance policy best practices



Government  
Finance Officers  
Association—Fund  
Balance Guidelines  
& other resources

National Council of  
Nonprofits—  
Operating Reserves  
for Nonprofits

# GFOA fund balance policy best practices

## Appropriate level

- Account for each government's unique circumstances.
- At least 2 months of regular operating revenues or regular operating expenditures.

## Use and replenishment

- Define conditions warranting fund balance use.
- Describe guidelines for replenishing balances.
  - Generally, 1-3 years within use.
  - Consider unique circumstances.

## Balances above formal policy level

- May reflect a structural trend.
  - Consider a policy to address.
- Prohibit using funds for ongoing/recurring expenditures.

# GFOA—additional resources



General Fund  
reserve  
calculation  
worksheet

Example  
financial reserve  
policies

Paper—Should  
we rethink  
reserves?

# National Council of Nonprofits guidance

How much money should be always set aside.

Types of circumstances for using reserves.

Process for determining whether to use reserves.

Process and time frame for repayment.

Directions, restrictions, or limitations on what the reserves maybe used for.



# FY 2023 AFR—project balance reserve tab—section A



Charter school 0

County 0

This tab presents information on the amount and planned use of the Charter's project's reserves to increase transparency and provide decision-makers, other stakeholders, and the public more complete financial information. It also presents information about policies or guidelines used to establish target project reserve amounts.

## A. Reserve amounts and planned uses

	All Projects
<b>Prior year ending project reserve balance</b>	
1. FY 2022 ending project balance	0
<b>Current year ending reserve balance</b>	
2. FY 2023 ending project balance	0
<b>FY 2023 ending reserve details:</b>	
3.a Deficit balance	
3.b Planned to be spent in FY 2024 to support budgeted spending	
3.c Maintained for debt retirement <u>after</u> FY 2024	
3.d Maintained for capital projects <u>after</u> FY 2024	
3.e Maintained for retirement contributions <u>after</u> FY 2024	
3.f Maintained for future financial stability	
3.g <i>Maintained for other purposes (Specify)</i>	
3.h <i>Maintained for other purposes (Specify)</i>	
3.i Total reserve (should agree to amount on line 2)	0

# FY 2023 AFR— project balance reserve tab— section B

## B. Reserve balance process or policy (optional)

1. Does the Charter have a process or policy it follows to establish a targeted (goal) reserve level that the Charter is working to maintain each year? (Yes or No in cell F27) If the Charter has an adopted Governing Board policy, enter the policy number in the box provided (cell G27).

Charter establishes a targeted fund balance reserve level?

Governing Board policy number (Indicate "N/A" if no policy exists):

2. Does the Charter's audited financial statements include consolidated financial information of other charter schools that operate within the same organization or financial information for entities other than the Charter that operate within the same organization that may impact reserve policy decisions? (Yes or No in cells F30 and H30)

Charter's audited financial statements includes financial information of other charters operating within the same organization?

Charter's audited financial statements includes financial information of other entities operating within the same organization?

If question 1 was answered yes, answer questions 3 through 7 below. All Charters should respond to question 8.

3. Describe the guidance the Charter used in setting its adopted reserve level policy and/or used in planning for its FY 2023 ending reserve level:

4. What projects are included in the Charter's targeted reserve?

5. What, if any, Section A, line 3 reserve purposes are excluded from the Charter's target

6. If the targeted fund balance amount was determined by applying a percentage to a set factor, identify that percentage and factor:

Percentage	Factor	Additional Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

7. Indicate the total targeted reserve and project balance reserve amounts for the end of FY 2023.

Targeted reserve amount	Actual reserve amount
<input type="text"/>	<input type="text"/>

All Charters should respond to question 8.

8. The Charter plans to take the following actions related to its ending project balance in FY 2024 and thereafter:

# FY 2023 AFR—project balance reserve tab—section B



1. Does the Charter have a process or policy it follows to establish a targeted (goal) reserve level that the Charter is working to maintain each year? (Yes or No in cell F27) If the Charter has an adopted Governing Board policy, enter the policy number in the box provided (cell G27).

**Charter establishes a targeted fund balance reserve level?**

**Governing Board policy number (Indicate "N/A" if no policy exists):**

2. Does the Charter's audited financial statements include consolidated financial information of other charter schools that operate within the same organization or financial information for entities other than the Charter that operate within the same organization that may impact reserve policy decisions? (Yes or No in cells F30 and H30)

**Charter's audited financial statements includes financial information of other charters operating within the same organization?**

**Charter's audited financial statements includes financial information of other entities operating within the same organization?**

# FY 2023 AFR—project balance reserve tab—section B



If question 1 was answered yes, answer questions 3 through 7 below. All Charters should respond to question 8.

3. Describe the guidance the Charter used in setting its adopted reserve level policy and/or used in planning for its FY 2023 ending reserve level:

4. What projects are included in the Charter's targeted reserve?

# FY 2023 AFR—project balance reserve tab—section B

5. What, if any, Section A, line 3 reserve purposes are excluded from the Charter's targeted reserve calculation?

6. If the targeted fund balance amount was determined by applying a percentage to a set factor, identify that percentage and factor:

Percentage	Factor

of the Charter's

# FY 2023 AFR—project balance reserve tab—section B



Targeted reserve amount	Actual reserve amount

7. Indicate the total targeted reserve and project balance reserve amounts for the end of FY 2023.

All Charters should respond to question 8.

8. The Charter plans to take the following actions related to its ending project balance in FY 2024 and thereafter:

# FY 2025 budget— project balance reserve draft

Charter school 0

This tab presents information on the amount and planned use of the Charter's project's balance reserves to increase transparency and provide decision-makers, other stakeholders, and the public more complete financial information.

## A. Project balance reserve amounts and planned uses in FY 2025 and thereafter

	All Projects
<b>1. FY 2023 final ending project balance reserve</b> If the final ending project balance reserve does not agree with the submitted FY 2023 AFR, revise the AFR and resubmit to ADE	
<b>2. FY 2024 activity, year-to-date and estimated through June 30</b> (a) FY 2024 revenues (b) FY 2024 expenses, indirect costs, reversions, capital acquisitions, and redemption of principal	
<b>3. Estimated FY 2024 ending project balance reserve/ FY 2025 beginning project balance reserve</b>	0
<b>4. FY 2025 beginning project balance reserve details and planned uses</b> (a) Deficit balance (b) Planned to be spent in FY 2025 to support budgeted spending in addition to FY 2025 revenues (c) Planned to be spent after FY 2025 (d) Total project balance reserve (should agree to amount on line 3)	0
<b>5. Comments on project balance reserves and planned uses (optional)</b>	

# Questions



Please send additional questions or feedback no later than April 3.

Accountability Services Division

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