



USFR MEMORANDUM NO. 247

TO: School District Administrators; County School Superintendents

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

DATE: August 25, 2010

SUBJECT: Fiscal Year 2010 Annual Financial Report (AFR), Desegregation Supplement and Instructions, and reporting forms for Current Expenditures by School and the Classroom Site Fund (CSF) (Supersedes USFR Memorandum No. 241)

Arizona Revised Statutes (A.R.S.) §15-904 requires school districts to prepare and submit an AFR, in electronic format, by October 15. The Auditor General in conjunction with ADE is required to prescribe the AFR format to be used by all school districts. The Auditor General and ADE developed the AFR format in Microsoft Excel, to incorporate the information districts are statutorily required to include in their AFR. This format will assist districts in complying with AFR preparation and submission requirements. ADE will only accept FY 2010 AFR forms submitted electronically using either the Excel forms with the 8/10 revision date or software that produces an electronic file in a format approved by ADE. Districts may download the forms from the Auditor General's Web site at www.azauditor.gov/forms_schooldistrict.htm or ADE's Web site at www.azed.gov/schoolfinance/Forms/Budgets.

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

SUBMISSION AND PUBLICATION

The completed forms must be uploaded via the Common Logon on ADE's Web site at www.ade.az.gov/CommonLogon. Data validation checks are included in ADE's file upload system. These initial checks will ensure that formulas have not been overwritten, that total fields reflect the sum of their details, and that fields that should equal each other are in fact equal. Formulas should not be changed and applicable footnotes should be followed to ensure uploaded files will pass all validation checks. For CommonLogon password information or help, please contact ADE's Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636] or e-mail enterprise@ade.az.gov.

Once the governing board, superintendent, and business manager have completed and signed the cover page of the AFR and the AFR has been electronically submitted to ADE, a copy of the completed cover page must be filed within 5 days of electronic submission, by either scanning and e-mailing or mailing the page to: SFBudgetTeam@azed.gov or ADE, School Finance, Bin 13, 1535 West Jefferson, Phoenix, AZ 85007.

Districts not participating in the accounting responsibility program must submit the AFR to the County School Superintendent (CSS) for approval by October 15. Districts should contact the CSS for specific submission procedures.

After filing the AFR, districts should electronically submit their summary accounting data file to the Office of the Auditor General, Division of School Audits, via e-mail at sddata@azauditor.gov and to ADE at SFBudgetTeam@azed.gov. Instructions for preparing the data file for both CIMS and Infinite Visions accounting systems are available on the Auditor General's Web site at www.azauditor.gov/Reports/School_Districts/SD_AcctFile_Instructions.htm.

Also, in accordance with A.R.S. §15-904, by November 15, the entire AFR, or AFR summary, must either be printed in 8-point type in the official newspaper of the county as defined in A.R.S. §11-255 or in a newspaper of general circulation within the district (since the report provides information for the residents and taxpayers of the district, a newspaper that is widely read should be selected for publication), 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 must provide a link on the district's Web site to ADE's Web site (<http://www.ade.az.gov/SchoolFinance/Forms/LEAQuery/SubmittedFiles.aspx>). The affidavit of publication must be filed with ADE within 30 days after publication, but not later than December 15, by either scanning and e-mailing or mailing the affidavit to: SFBudgetTeam@azed.gov or ADE, School Finance, Bin 13, 1535 West Jefferson, Phoenix, AZ 85007. For districts posting a link on their Web site, a screen shot of the Web site showing the link should be e-mailed by November 15.

GENERAL INFORMATION

The following instructions are provided only for those line items that may need clarification. **All amounts should be rounded to the nearest dollar.**

Expenditure budget amounts should be taken from the district's most recently revised, adopted expenditure budget, which has been submitted to ADE, for FY 2010.

Revenues must include cash receipts through June 30, 2010, and accrued revenues received during the 60-day period following fiscal year-end. Examples of accrued revenues are:

- federal reimbursements for meals served in FY 2010;
- property taxes collected during the 60-day period for levies of prior fiscal years;
- tuition received during the 60-day period for students attending the district during FY 2010;
- FY 2010 CSF revenues received during the 60-day period;
- April, May, and June 2010 state aid apportionment payments made in FY 2011, pursuant to Laws 2009, 3rd Special Session, Ch. 12, §59 and Laws 2010, 7th Special Session, Ch. 1, §125; and
- any May 2009 state aid apportionment payment made on November 2, 2009, pursuant to Laws 2009, 1st Regular Session, Ch. 6, as amended by Laws 2009, 3rd Special Session, Ch. 12, §56.

Expenditures must include cash disbursements through June 30, 2010, and payments made after fiscal year-end, but prior to August 29, 2010, for goods and services received on or before June 30, 2010.

All revenues, expenditures, and fund balances presented on the AFR must agree with the district's final accounting records for the year ended June 30, 2010. Districts must reconcile their accounting records to those maintained by the CSS before completing the AFR. (District's in the accounting responsibility program must reconcile to the County Treasurer before completing the AFR.) Accrued revenues and expenditures at June 30, 2010, not recorded by the CSS should be identified as reconciling items on the reconciliation and must be included in the revenues and expenditures reported in the AFR.

DETAILED INSTRUCTIONS

ANNUAL FINANCIAL REPORT (ADE/AG 41-202, Rev. 8/10-FY 2010)

Page 1, Funds Available—Maintenance and Operation, Unrestricted Capital Outlay, and Soft Capital Allocation Funds

Line 1. The beginning fund balances at July 1, 2009, should be the ending balances reported on the AFR for FY 2009, if the ending balances were reported correctly, or the district may compute them as follows:

Cash, prepaid, and inventory balances (object codes 0100, 0150, and 0160) at June 30, 2009.

Plus: Accrued revenues as of June 30, 2009, received during the 60-day period following June 30, 2009.

Less: Payments made during the 60-day period following June 30, 2009, for goods and services received on or before June 30, 2009, but not paid for by that date.

Ending fund balances at June 30, 2010, should be computed using the same method as shown for beginning fund balances. The beginning and ending fund balances for the Maintenance and Operation (M&O) Fund should include the amount of the M&O Fund revolving account cash balance on hand at July 1, 2009, and June 30, 2010, respectively. The revolving account balances should be recorded in the spaces provided in footnote (1) on page 1.

Lines 5 through 10. Type 03 districts should not include tuition revenue in the Soft Capital Allocation Fund as it will not be included in ADE's budget calculations.

Line 17. The amount reported must be positive.

Lines 25 and 26. The amounts reported in the actual column (from the district's accounting records) should be compared to the total state equalization assistance and total additional state aid amounts shown on the July 1, 2010, ADE report, APOR 64-1.

Line 29. Federal Impact Aid and American Recovery and Reinvestment Act (ARRA) revenues received should **not** be included on this line.

Line 31. ARRA, State Fiscal Stabilization Fund (SFSF) revenues should be included on this line.

Line 33. Federal Impact Aid revenues received during the fiscal year should be included on this line.

Page 2, Maintenance and Operation Fund (001)—Expenditures

Line 10. Districts should use this line to report amounts paid in FY 2010 for an excessive property tax valuation judgment per A.R.S. §42-16213 and refunded per A.R.S. §42-16214.

Lines 13 and 14. Program 630 and Programs 700, 800, 900 budget amounts should be obtained from the most recently revised, adopted FY 2010 expenditure budget. Those programs were reported in total on the expenditure budget; however, they should be presented separately for AFR purposes.

Page 3, M&O and SCA Fund Special Education Programs by Type (Section C)

Lines 1 through 14 and 16 through 21. The actual amounts allocated to individual programs should be calculated by the same method used to allocate individual program costs to the budget. Documentation supporting the cost allocation method should be retained at the district and should include the reasoning behind

the allocation, a list of the programs, the number of teachers and students by program, and all computation work sheets. Districts should record program 200 actual expenditures in the "Program 200 Actual" column and programs 200 and 300 actual expenditures should be recorded in the "Total Actual" column. For districts that only allocate expenditures for program 200, both columns will contain the same amounts. In accordance with Laws 2009, 3rd Special Session, Ch. 12, §65, school districts were allowed to use soft capital allocation monies for any operating or capital expenditures in FY 2010; therefore, any soft capital allocation monies spent for special education should be included in the "Program 200 Actual" and "Total Actual" columns to assist ADE in the maintenance of effort calculations for all special education expenditures. **Note: The budget columns only include M&O expenditures as districts are not required to budget SCA expenditures to the program level.**

Page 3, M&O Detail by Object Code (Section E)

Line 3. Enter the FY 2010 M&O expenditures related to audits of nonfederal funds on line E.3. Districts may also include additional federal audit expenditures incurred as a result of ARRA-SFSF monies received on line E.3. The amount of audit service expenditures made in FY 2010 related to audits of all federal programs should be entered in the blank space provided in footnote (5). Amounts reported must be amounts actually expended in FY 2010. **Do not include the costs of consulting or other 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.**

Page 3, Tuition Paid to Other Arizona Districts (Section I)

Line 1. Elementary districts not within a high school district (type 03) must enter the actual high school student tuition expenditures based on the tuition billing, including operations, capital, and debt (object codes 6561 and 6565).

Line 2. **All districts**, including type 03, must enter all tuition expenditures to other Arizona districts (object codes 6561 and 6565). All line 1 expenditures must be included on line 2.

Page 4, Classroom Site Funds (011, 012, and 013) Expenditures

Expenditures coded during the fiscal year to any of the individual Classroom Site Funds (011 - 013) that cause the district to exceed the Classroom Site Fund Budget Limit or the appropriate percentage allocation for the individual fund should be reclassified to the M&O or other appropriate fund before the AFR is completed.

Page 5, Unrestricted Capital Outlay (UCO) Fund (610) Expenditures

Line 1. Enter the budgeted and actual expenditure amounts from any Unrestricted Capital Outlay Override authorized by A.R.S. §15-481. Amounts included on line 1 must also be included on lines 2 through 9, as appropriate.

Lines 2 through 9. Amounts must include budgeted and actual expenditures from the Special Education Disability ESEA, Title VIII, Special K-3 Program Override, and Joint Career and Technical Education and Vocational Education Center, as reported in the Supplement, page 2 and Desegregation, as reported in the Desegregation Supplement-Districtwide, page 3.

Page 5, Capital Assets

Lines 1 through 3. Enter the total costs (before depreciation), by asset classification, recorded on the capital assets list as of June 30, 2010. In addition, any applicable assets recorded in the district's proprietary funds (i.e., Internal Service or Enterprise) should be included. Capital assets should be based on the district's capitalization threshold of \$5,000 or lower amount if approved by the governing board.

Line 4. Enter the total cost of construction in progress as of June 30, 2010. This amount will not appear on the capital assets list as of June 30, 2010, as it is not recorded on the list until the project is completed.

Page 7, Capital Funds (630, 690, and 695)—Renovation and New Construction Lines

In accordance with A.R.S. §15-904(B), the total budgeted and actual expenditures, by fund, on page 6 must be separately reported as new construction or renovation. If the designation of new construction or renovation does not apply to a particular expenditure, the amount should be reported as “Other”. Additionally, districts should report the costs per square foot for new construction and land acquisition costs on the lines provided.

Page 7, Debt Service (700) and Adjacent Ways (620) Funds

Lines 13 and 14. Principal, interest, and fiscal charges budgeted in FY 2010 and payable on July 1, 2010, should be included as expenditures of FY 2010. If the district has refunded a bond issue, payments to the bond escrow agent should be included on line 18 for the Debt Service Fund.

Page 7, New construction cost per square foot

Districts should report the cost per square foot for new construction projects in progress or completed during the fiscal year. For projects still in progress at year-end, districts should calculate the cost per square foot by dividing the anticipated total cost of the project upon completion by the anticipated total square footage of the project upon completion. For projects that were completed during the fiscal year, districts should calculate the cost per square foot by dividing the total actual cost of the project upon completion by the total actual square footage of the project.

Page 8, Federal Projects

Transactions related to ARRA monies received, other than SFSF monies, should be included in the applicable federal project lines. Districts should have used a separate fund within the existing assigned fund ranges for each ARRA grant received during the year. If there was not available space within a fund range, districts should have assigned a fund number for that grant within the Other Federal Projects 300-399 fund range.

Page 8, Fund Transfers (Out) To Indirect Costs Column

Transfers-out of Federal Project funds are allowed only to the Indirect Costs Fund (object code 6910) by the *Uniform System of Financial Records*. Transfers-out should be entered as negative numbers.

Page 9, Current Expenditures by Category (Section C)

A.R.S. §15-255 requires the Superintendent of Public Instruction’s Annual Report to include total current expenditures per pupil and separate per pupil amounts by type of district for (1) classroom instruction excluding classroom supplies, (2) classroom supplies, (3) district and school administration, (4) support services—students, and (5) all other support services and operations. ADE will calculate the “per pupil” amounts based on the total current expenditures reported on lines 1 through 5 in Section C.

Lines 1 through 5. Current expenditures include expenditures from all funds for elementary and secondary education (e.g., M&O, CSF, most federal and state projects, etc., for K-12). Current expenditures do not include expenditures for land and improvements, buildings and improvements, furniture, equipment, technology, vehicles, Internal Service Fund operations, Community School Fund operations, debt retirement, student activities, and non-K-12 school programs appropriately recorded in Program Codes 700, 800, and 900 (e.g., adult/continuing education, community college education, community services, and day care centers).

A.R.S. §15-746(A)(4) requires districts to include the above information in their School Report Cards. In addition to including this information on page 9 of the AFR, the School District Current Expenditures on a

School-by-School Basis for FY 2010 form (2010 CurExpBySchl.xls) enclosed with this memo should be used to record each school's detailed current expenditures (see page 8 of the memo for instructions). Districts with only one school that have completed the corresponding information on the submitted district level AFR are not required to submit this form.

Page 9, Teacher Salaries and Other Items (Section F)

For lines 1 through 5, report base salaries (including CSF Performance Pay and Career Ladder addenda), overtime, and additional compensation paid to certified teachers, certified substitute teachers, and contract teachers. Do not include salaries paid to instructional aides or assistants or any noncertified teachers. Report the salaries based on the appropriate program code. If a teacher is paid from more than one program, calculate the salary based on the amount of time instructing in each program.

If the district has used the optional object codes in the Chart of Accounts for teachers and substitute teachers, amounts for certified teachers should be recorded in object code 6112 and amounts for certified substitutes should be recorded in object code 6113.

For line 6, report expenditures for textbooks, periodicals and other print medium used for classroom instruction. Do not include expenditures relating to on-line texts or tools.

Page 9, ARRA Expenditure Detail (Section G)

If the district received any ARRA revenue (i.e., ARRA Title I Grant, ARRA IDEA Grant, or ARRA-SFSF revenue) from the American Reinvestment and Recovery Act for FY 2010, the related expenditures should be reported in the corresponding column. The ARRA Grants (non-SFSF) amounts should also be included in the applicable Federal Project Funds 100-399 on page 8, and the ARRA-SFSF revenue and expenditures should also be included on pages 1, 2 and 5 of the AFR and page 4 of the supplement, as applicable.

Page 9, Funds 525 and 526 Expenditure Detail (Section H)

Amounts reported in this section provide the detail needed to determine the percentage of every dollar spent in the classroom, as required by A.R.S. §41-1279.03, for the Auxiliary Operations and Extracurricular Activities Fees Tax Credit Funds. The "All Other Object Codes" columns should not include object code 6900, and the total for each fund should agree to the total actual expenditures reported for these funds in the "Other Funds" section of this page.

SUPPLEMENT TO ANNUAL FINANCIAL REPORT (ADE/AG 41-202A, Rev. 8/10-FY 2010)

Complete and submit these pages only if the district budgeted expenditures for Special Education Disability ESEA, Title VIII, Special K-3 Program Override (A.R.S. §15-482), Joint Career and Technical Education and Vocational Education Center (A.R.S. §15-910.01), English Language Learners (ELL) (A.R.S. §§15-756.04 and 15-756.11), or SFSF monies (Laws 2009, 3rd Special Session, Ch. 11, §14).

Page 4 State Fiscal Stabilization Fund Monies (Laws 2009, 3rd Special Session, Ch. 11, §14)

Expenditures of the federal ARRA-SFSF monies should be recorded by program code in the M&O, UCO, SCA, and Joint Technological Education (JTE) Funds, as applicable. The M&O expenditures should also be included on lines 1-14, 16-24, and 27 on page 2 of the AFR. The UCO and SCA expenditures should also be included on lines 2-9 and 11-18 on page 5 of the AFR, as appropriate.

If a Joint Technical Education District (JTED) passes through SFSF monies to its member districts, the JTED member districts should record expenditures in the JTE Fund (Fund 596) using program code 271-Vocational and Technological Education-SFSF and report those expenditures on lines 9 and 26 of the supplement. Member districts should include total JTE Fund expenditures on AFR, page 9, Other Funds, line 27. In

addition, JTEDs should aggregate and report total SFSF pass through expenditures made by all member districts on lines 9 and 26 of the supplement. For further guidance on recording the SFSF monies, see the Office of the Auditor General's e-mails dated September 24, 2009, April 28, 2010, and June 24, 2010, available at www.azauditor.gov/Reports/School_Districts/School_District_FAQs.htm#ARRA1.

SUMMARY OF SCHOOL DISTRICT ANNUAL FINANCIAL REPORT (ADE/AG 41-202S, Rev. 8/10-FY 2010)

The Summary condenses the information in the AFR for more economical publication. Information in the Summary should agree to the AFR. Therefore, the AFR should be completed before the Summary.

Average Daily Membership (ADM)

Obtain total Attending ADM for FY 2009 and FY 2010 from the district's copies of ADE's ADM Attending Summary reports (ADMS 45-2). Obtain total Resident ADM for FY 2009 and FY 2010 from the Recalculated State Aid ADM Counts reports (ADMS 46-1), 100th-day counts. Both reports are available on ADE's Web site at www.ade.az.gov/districts.

Other Capital Funds

Record the total of Funds 660 and 665 as reported on AFR, page 9, Other Funds, lines 31 and 32.

Federal Projects

Record the total of Funds 100-399 as reported on AFR, page 8, Federal Projects, line 17.

State Projects

Record the total of Funds 400-499 as reported on AFR, page 8, State Projects, line 29.

School Plant

Record the combined totals of School Plant Funds 500, 505, 506, and 640 as reported on AFR, page 9, Other Funds, lines 6 through 8, and 29.

Gifts and Donations

Record the combined total of Funds 530 and 650, as reported on AFR, page 9, Other Funds, lines 13 and 30.

Advertisement

Record the total of Funds 594 and 595, as reported on AFR, page 9, Other Funds, lines 25 and 26.

FOOD SERVICE AFR

The food service AFR has been included as a separate file and should be completed and submitted with the AFR. Specific instructions for completing this page can be found in ADE's enclosed Annual Financial Report, District Food Service Instructions.

DESEGREGATION SUPPLEMENT

Only those districts that budgeted expenditures for Desegregation, in accordance with A.R.S. §15-910(J), must complete the Desegregation Supplement. The Desegregation Supplement should be completed and submitted with the AFR. Specific instructions for completing the Supplement can be found in the enclosed Desegregation AFR Instructions.

CURRENT EXPENDITURES BY SCHOOL

In accordance with A.R.S. §15-746(A)(4), districts are required to report each school's current expenditures for classroom instruction excluding classroom supplies, administration, support services-students, and all other support services and operations. The current expenditures by school should include districtwide expenditures allocated to each school based on student counts at each school. The report form, School District Current Expenditures on a School-by-School Basis for FY 2010, is not part of the AFR, as prescribed by A.R.S. §15-904, but has been included and districts should submit it with the AFR, as it is required to be filed with ADE by November 1.

When completed, the file must be uploaded via ADE's Common Logon, School Finance File Upload (Budget/AFR). Select "Fiscal Year: 2010", "File Type: Excel(.xls)", "Type and Version: 2010 Current Expenditures—School Level—Actual", then locate the file to be uploaded. Click "Upload File". This school level form is due November 1, 2010.

CLASSROOM SITE FUND REPORTING FORMS

The Classroom Site Fund Expenditures by School and the Narrative Results Summary forms have been included in this memo so districts can meet the requirements of A.R.S. §15-977(J). These two report forms are not part of the AFR, as prescribed by A.R.S. §15-904, but have been included and districts should submit them with the AFR, as they are required to be filed with ADE by November 15.

The total amount reported on the Classroom Site Fund Expenditures by School form should agree to the total expenditures reported for the Classroom Site Funds on the AFR, page 4. For districts with only one school, completing page 4 of the AFR will satisfy the requirement to report Classroom Site Fund expenditures by school. If you have any questions regarding the Classroom Site Fund reporting forms, please contact Brit Baxter or Tara Lennon, Office of the Auditor General, Division of School Audits at (602) 553-0333.

Classroom Site Fund Narrative Results Summary—Page 1, Performance Payments

Report all performance payments made in FY 2010, including payments for accomplishment of FY 2009 and FY 2010 performance measures.