



## USFRCS MEMORANDUM NO. 88

**TO:** Arizona Charter School Administrators;  
Administrators of School Districts Sponsoring Charter Schools

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

**DATE:** May 27, 2011

**SUBJECT:** Charter School Annual Budget Forms, Work Sheets, and Instructions for Fiscal Year (FY) 2012  
(Supersedes USFRCS Memorandum No. 85)

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A.R.S. §§15-183(E)(6) and 15-905 require schools to prepare and submit a budget, in electronic format, containing the information and in the form provided by ADE. 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 charter schools. The Auditor General and ADE developed the budget format in Excel to incorporate the information schools are statutorily required to include in their annual budget. This format will assist schools in complying with budget preparation and submission requirements. ADE will only accept FY 2012 budget forms and work sheets submitted electronically using the Excel forms with the 5/11 revision date. Schools may download a copy of the Excel forms from the Auditor General's Web site at [www.azauditor.gov/forms\\_charter.htm](http://www.azauditor.gov/forms_charter.htm) or ADE's Web site at [www.azed.gov/schoolfinance/forms/budgets](http://www.azed.gov/schoolfinance/forms/budgets).

These budget work sheets reflect the state equalization assistance calculation for charter schools that are not sponsored by a school district and must be completed by all schools except district-sponsored schools. The amount of funding district-sponsored schools receive is based on the agreement between the district governing board and the charter school. However, A.R.S. §15-185(A)(3)(a) requires that district-sponsored schools receive the full additional assistance prescribed by A.R.S. §15-185(B)(4) for other charter schools.

District-sponsored charter schools should be included in the district's budget and financial assistance calculations. In addition, charter schools that are a part of a district's reporting entity (i.e., share the district's governing board) must be included in the district's budget and are not required to file their own forms (refer to USFR Memorandum No. 251 for further details).

The completed forms must be uploaded 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 ADE's Support Center at (602) 542-7378 [outside the Phoenix area call (866) 577-9636], or [enterprise@ade.az.gov](mailto:enterprise@ade.az.gov). After uploading files, schools should check their file submission page ([www.ade.az.gov/Budget/EntitySelection.asp](http://www.ade.az.gov/Budget/EntitySelection.asp)) to verify the files have processed. If a file did not process, follow the instructions contained in the error message and upload the corrected file(s). If you are unable to correct an error, please contact ADE Budget Team at [SFBudgetTeam@azed.gov](mailto:SFBudgetTeam@azed.gov).

Each charter school is statutorily required to annually prepare a proposed budget and submit a copy to the Superintendent of Public Instruction no later than July 5. A copy must be kept on file at the school and made available to the public upon request. A notice of public hearing and governing board meeting to adopt a budget must also be uploaded via the Common Logon for posting on ADE's Web site no later than 10 days prior to the meeting using the enclosed HearingNotification12.xls file. In accordance with A.R.S. §15-185(M), schools that maintain their own Web

site must post a copy of the proposed budget<sup>1</sup> and hearing notification on the school's Web site. After the proposed budget and notification have been posted on the school's Web site, the school should e-mail a screen shot of their Web site showing the two items to [SFBudgetTeam@azed.gov](mailto:SFBudgetTeam@azed.gov) and retain a copy of the e-mail and screen shot for audit purposes.

Schools must adopt a budget no later than July 15 and electronically submit the adopted budget to the Superintendent of Public Instruction no later than July 18.

## **GENERAL INFORMATION AND INSTRUCTIONS**

Schools should complete the budget work sheets before completing the budget forms. Amounts on the budget forms should be rounded to the nearest dollar.

The budget forms and worksheets are in two files.

1. budget12.xls includes the cover page and pages 1 through 5 of the budget forms.
2. wrksht12.xls includes the work sheet table of contents and work sheets A through F.

### **USING THE BUDGET FORMS AND WORK SHEETS**

Grid lines have been turned off in order to make the forms and work sheets easier to read. Users may turn the grid lines back on without affecting the calculations or printing.

The charter school name, county, and CTDS number should be entered on the cover page of the budget forms and on the work sheet table of contents. The number should not include any slashes, dashes, etc. This information will be automatically transferred to the other sheets in the file.

The spreadsheets will automatically perform mathematical calculations and bring forward certain amounts from one budget page/work sheet to another. **Therefore, information can and should be entered only in unprotected cells.** Users can move from one unprotected cell to another on a sheet by using the Tab key. Student counts should be entered on Work Sheet A, and this information will be automatically transferred to the other work sheets. Schools should not change or delete formulas unless specifically instructed to do so by the Office of the Auditor General or ADE.

To ensure that the school's data can be properly processed by ADE, rows and columns should not be added or deleted, information should not be copied and pasted from the prior year's forms, and sheet tabs should not be renamed.

### **CHARTER SCHOOL ANNUAL BUDGET**

#### **Current Year 2011 Columns**

The cells in the current year columns on the budget forms contain formulas that will bring forward budget amounts from the FY 2011 budget forms. However, the cells have not been protected so users may also enter the information manually. To bring forward amounts automatically, the most recently revised FY 2011 budget must be saved as budget11.xls in the C:\CSFORMS folder. If the file is not named budget11.xls, the formulas will not function properly. Excel will ask the user to update information when the budget12.xls file is opened. Users should review amounts reported in the current year column to ensure they agree to the school's most recently revised FY 2011 budget.

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<sup>1</sup> ADE will generate a budget summary from the data included in the proposed budget uploaded via the Common Logon. Schools may post this summary on the school's Web site rather than posting the entire proposed budget. The summary is available at [www.ade.az.gov/schoolfinance/Forms/Budgets/ProposedBudget/EntitySelection.aspx](http://www.ade.az.gov/schoolfinance/Forms/Budgets/ProposedBudget/EntitySelection.aspx). Schools wishing to use the budget summary should contact ADE with questions about downloading the summary for posting on the school's Web site.

## COVER PAGE

All information on the cover page must be completed/updated when the proposed, adopted, or revised budget is printed out for the Governing Board to sign. All information, excluding the Revenue information, must also be updated when the budget is revised.

The version of the budget being submitted on the cover page is formatted with a drop down menu. Select the appropriate choice from the menu: Proposed, Adopted, or Revised (including the revision number). Only choices in the menu may be entered in the cell.

Estimated revenues by source for FY 2012 should be based on the best information available at the time the budget is prepared. Estimated revenues may be more or less than estimated expenses.

Each time the forms are submitted electronically to ADE, the school should record the date in the space provided. **Two school officials should sign the cover page where indicated** and send a copy of the cover page within 5 days of the electronic submission to ADE by scanning and e-mailing to [SFBudgetTeam@azed.gov](mailto:SFBudgetTeam@azed.gov). If schools are not able to submit cover pages via e-mail, schools can mail cover pages to ADE—School Finance, 1535 West Jefferson, Bin 13, Phoenix, AZ 85007.

## PAGE 1

Depreciation expense should not be reported on the budget forms. In addition, purchases of capital assets (land and land improvements, site improvements, buildings and building improvements, equipment, and construction in progress) should not be reported in the budget forms except in the Capital Acquisitions section of page 2.

Schools with known special education students and programs at the time of budget adoption should budget for expenses in program code 200 (and 300, if applicable). Also, budgeted special education expenses should be allocated by program type on page 2. Total budgeted expenses on lines 27 and 28 should equal total special education programs by type on page 2, line 22.

### Employee Benefits column

Schools participating in the Arizona State Retirement System should budget in object code 6200 at the total rate of 10.10%, including long term disability. The total rate for employees is 11.39%, including long term disability.

### Federal and State Project expenses

The total of federal and state project expenses (project codes 1100 through 1499 from page 2) should be included on line 37. Schools should not include federal and state project expenses with other schoolwide project expenses on lines 1 through 36.

## PAGE 2

### Federal and State Projects

Separate accountability is required for each federal and state project. Therefore, charter schools should estimate the expenses for each federal or state project in which the school participates. The totals on line 31 should agree with the total columns for federal and state projects on line 37 of page 1. A.R.S §15-1261 requires charter schools to establish an E-rate Project to account for any E-rate funding received by the school. Monies budgeted for the E-rate Project should be included within the Other Federal Projects on line 16.

### Capital Acquisitions

Enter the increase in the capital asset accounts (land and land improvements, site improvements, buildings and building improvements, equipment, and construction in progress) for assets to be acquired by purchase, lease purchase, or construction.

#### State Equalization Assistance Budgeted for Food Service Expenses

Charter schools participating in the National School Lunch Program are required to spend a portion of their state equalization assistance to support the operation of their food service program. Schools must report on their budget the amount of state equalization assistance that will be expended for their food service program during the 2012 school year. This amount will be used to determine school compliance with state matching requirements pursuant to CFR Title 7, §210.17(a). The Child Nutrition Programs Office will verify the amount reported on the budget was reported as spent when schools' annual financial reports are submitted. Any questions related to state matching requirements should be directed to the Child Nutrition Programs Office at (602) 542-8700.

#### Special Education Programs by Type

Schools budgeting for special education expenses on page 1, lines 16-28 should report amounts allocated by program type on page 2. The total special education expenses by type should equal the total of lines 27 and 28 on page 1. Supporting documentation should be retained for the allocation of expenses budgeted for individual special education programs.

#### Selected Expenses by Type

Audit services expense should be the total audit costs to be incurred during the budget year.

Classroom instruction expenses should be the total of expenses budgeted in function code 1000 for program codes 100 through 300 and 500 for the budget year.

#### **PAGES 3 and 4**

Charter schools receive revenues from the Classroom Site Fund each year. A.R.S. §15-977(G)(1) requires the Joint Legislative Budget Committee to calculate an estimated per pupil amount each year. For FY 2012 the estimated cash payment is \$219.00 per "Group A weighted" pupil (Total of Work sheet B, line I.A.3 and Work sheet B.2 lines I.A.3 and III.A.3).

See USFRCS page III-B-1 and USFRCS Memorandum No. 44 for additional guidance on the use of Classroom Site Project monies.

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

See USFRCS page III-B-1 for guidance on the use of the Instructional Improvement Project (Project 1020).

#### **PAGE 5**

#### Structured English Immersion Project (A.R.S. §15-756.04) and Compensatory Instruction Project (A.R.S. §15-756.11)

See USFRCS page III-B-2 for guidance on the use of the Structured English Immersion Project (Project 1071) and the Compensatory Instruction Project (Project 1072).

In order to efficiently record structured English immersion and compensatory instruction expenses, schools should be using program codes 260, Special Education—ELL Incremental Costs; 265, Special Education—ELL Compensatory Instruction; and Program 435, Pupil Transportation—ELL Compensatory Instruction, as applicable.

#### **BUDGET WORK SHEETS**

##### **WORK SHEETS B and B.2**

A.R.S. §15-808(F)(1) requires full time (FT) Arizona Online Instruction (AOI) students be funded at 95% of the base support level that would be calculated if that school does not participate in AOI. Likewise, paragraph 2 of the same section requires part time (PT) AOI students be funded at 85% of the base support level that would be calculated if that school does not participate in AOI. These limitations apply only when calculating the school's base support level;

therefore, the student count used to determine support level weights (Work Sheet A) and Additional Assistance (Work Sheet D), should **include** AOI pupils at their unadjusted amounts.

Work Sheet B has been modified to calculate the adjusted weighted student count for FT and PT AOI students based on the funding ratios discussed above. These adjusted counts are added to the total non-AOI weighted student count to determine the school's total weighted student count, which is used in the base support level calculation (Work Sheet C). Work Sheet B.2 was added to calculate the total FT and total PT weighted student counts used in Work Sheet B.

## **WORK SHEET C**

### Line VI. Decrease for Federal and State Monies Received for M&O Purposes

In accordance with A.R.S. §15-185(O)(1), the Auditor General has determined that the following federal monies meet the definition of "monies intended for the basic maintenance and operations of the school" (as referred to in that subsection), that must be used to reduce the base support level and state equalization assistance, as directed by A.R.S. §15-185(D). This list is not necessarily all-inclusive. The Auditor General may determine in the future that other federal or state grants meet the definition of "monies intended for the basic maintenance and operations of the school."

1. Indian School Equalization Program entitlements received for:

- Instructional Costs (Basic Program, Gifted and Talented Programs, and Small School Adjustment)
- Bilingual Instruction Costs (Supplemental Programs–Bilingual Program)
- Exceptional Child Education Costs (Exceptional Child Programs)
- Student Transportation Fund Costs
- School Board Training Fund Costs (School Board Supplement)

Indian School Equalization Program entitlements received for Boarding Costs, Dormitory Costs, Intense Residential Guidance Costs, and Pre-kindergarten Costs would not be subject to the reduction.

2. Administrative Cost Grant entitlements received.

In addition, the reduction in A.R.S. §15-185(D) applies to a charter school that was a district school in FY 2011 and the Auditor General and ADE have determined that the charter school is operated for or by the same district. The reduction to the base support level of the charter school is equal to the sum of the base support level and the additional assistance received for FY 2012 for pupils who were enrolled in the district school in FY 2011 and are enrolled in the charter school in FY 2012.

## **PRINTING**

The budget forms have been formatted to print on legal-size paper (8½" x 14") at "Actual Size" (100%). The work sheets have been formatted to print on letter-size paper (8½" x 11") at "Actual Size" (100%). Since the minimum margin setting for your printer may differ from what was used to set up these files, a little experimentation may be needed to get each sheet to print on one page. Users should try changing the "scaling" under page setup.

If you have any questions, please call ADE School Finance at (602) 542-5695, or the Office of the Auditor General, Accounting Services Division at (602) 553-0333. Questions regarding the electronic version should be referred to the Office of the Auditor General. Questions regarding electronic submission of the budget forms and work sheets should be referred to ADE.