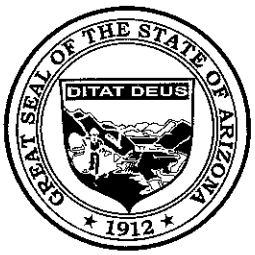
Arizona
Department of Education



Office of the
Auditor General

USFRCS MEMORANDUM NO. 93

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

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

DATE: August 21, 2012

SUBJECT: Fiscal Year 2012 Annual Financial Report and reporting forms for Current Expenses and the Classroom Site Project (Supersedes USFRCS Memorandum No. 89)

Arizona Revised Statutes (A.R.S.) §§15-183(E)(6) and 15-904 require schools to prepare and submit an annual financial report (AFR), in electronic format. A.R.S. §15-904(A) requires the Auditor General in conjunction with ADE to prescribe the AFR format to be used by charter schools. The Auditor General and ADE developed the AFR format in Excel to incorporate the information schools are statutorily required to include in their AFR. This format will assist schools in complying with AFR preparation and submission requirements. ADE will only accept FY 2012 AFR forms submitted electronically using the Excel forms with the 8/12 revision date. The Excel file must be saved in the Excel 97-2003 (.xls) format to be successfully uploaded through the Common Logon. Schools may download a copy of the Excel forms from the Auditor General's Web site at www.azauditor.gov/forms_charter.htm or ADE's Web site at www.azed.gov/finance/budgets. The completed AFR must be filed with ADE by October 15, 2012.

A.R.S. §15-746(A)(4) requires charter schools to report current expenses for classroom supplies, classroom instruction excluding classroom supplies, administration, support services-students, and all other support services and operations. The current expenses by school should include an allocation of school-wide expenses. Since this information is required to be filed with ADE by November 1, the Charter School Current Expenses on a School-by-School Basis for FY 2012 report, which is not part of the AFR as prescribed by A.R.S. §15-904, has been included and should be submitted electronically with the AFR.

A.R.S. §15-977(J) requires charter schools to prepare a narrative summary of results of Classroom Site Project usage. Since this additional information is required to be filed with ADE by November 15, the Classroom Site Project Narrative Summary, which is not part of the AFR as prescribed by A.R.S. §15-904, has been included and should be submitted electronically with the AFR.

Schools exempted from all or part of the *Uniform System of Financial Records for Arizona Charter Schools* (USFRCS) must still file an AFR in the prescribed format.

Charter sponsors will be notified of all charter schools which operated in FY 2012 and did not submit an AFR for FY 2012 by October 15, 2012. The sponsor may request that ADE withhold up to 10% of the school's monthly apportionment of state aid pursuant to A.R.S. §15-185(H).

Charter schools sponsored by school district governing boards must complete a charter school AFR in conjunction with the sponsoring district.

The completed AFR, Current Expenses report, and Classroom Site Project Narrative Summary must be uploaded via the Common Logon on ADE's Web site at www.ade.az.gov/CommonLogon. **Files can be uploaded to ADE after September 4**. For Common Logon 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 at enterprise@ade.az.gov. After uploading files, schools should check their file submission page (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 to upload the corrected file(s). If you are unable to correct an error, please contact ADE's Budget Team at SFBudgetTeam@azed.gov.

After the AFR has been electronically submitted to ADE, complete the following steps:

- Within 5 days, submit a copy of **only the completed cover page** signed by the Governing Board members and two school officials (for school district-sponsored charter schools, a school district administrator must also sign each charter school AFR) by scanning and e-mailing it to ADE's Budget Team at SFBudgetTeam@azed.gov. If the school is not able to submit the cover page via e-mail, the cover page can be mailed to ADE, School Finance, Bin 13, 1535 West Jefferson, Phoenix, AZ 85007.

- Schools that maintain a Web site must provide a link on their Web site to ADE's Web site where the school's AFR can be viewed (http://www.ade.az.gov/SchoolFinance/Forms/LEAQuery/SubmittedFiles.aspx). Schools should e-mail ADE at SFBudgetTeam@azed.gov, by November 15 with a direct link to the school's Web site where the AFR link is placed. Schools should retain a copy of the e-mail and a screen shot of their Web site for audit purposes.

GENERAL INFORMATION AND INSTRUCTIONS

The AFR presents condensed financial activity (i.e., beginning and ending balances, revenues and expenses, and budget to actual comparisons of expenses for the fiscal year) of the charter school for comparison purposes. This information assists sponsors, school governing boards, administrators, ADE, legislators, other governmental agencies, and taxpayers in determining whether charter schools are meeting their stewardship responsibilities.

The school should report all amounts to the nearest dollar. Information should not be entered in the shaded areas or protected cells. Formulas should not be changed or deleted unless specifically instructed to do so by the Office of the Auditor General or ADE. Changing or deleting formulas will cause files to be rejected when uploading to ADE.

All actual revenues, expenses, and account balances presented on the AFR must agree with the charter school's accounting records as of June 30, 2012. Revenue and expense account codes used in the AFR agree with the USFRCS Chart of Accounts. Expense budget amounts should be taken from the charter school's most recently revised or adopted budget, which has been submitted to ADE, for FY 2012.

Revenues must include cash receipts through June 30, 2012, and accrued revenues received after the end of the fiscal year. Examples of accrued revenues are cost reimbursement and entitlement programs, interest earned on investments, and FY 2012 classroom site project revenues.

Expenses consist of all expenses incurred during the fiscal year, including expenses for goods and services received on or before June 30, 2012, but not paid for by that date. Examples of items requiring such treatment are included in the USFRCS, pages VI-G-8 and 9.

The AFR and Current Expenses and Classroom Site Project reporting forms are in four files.

1. afr12.xls includes the cover page and pages 1 through 10 of the AFR.
2. afr12-food service.xls includes the AFR page for food service information.
3. curexpbyschool12.xls includes the Current Expenses report.
4. cspsum12.xls includes the Classroom Site Project Narrative Summary.

USING THE ANNUAL FINANCIAL REPORT

The Excel files should be saved in the C:\CSFORMS folder. The AFR (afr12.xls) contains formulas that will automatically pull budgeted amounts from the FY 2012 budget forms and prior year actual amounts from the FY 2011 AFR. To do so, the most recently revised FY 2012 budget and the final FY 2011 AFR must be saved as budget12.xls and afr11.xls, respectively, in the C:\CSFORMS folder. If the files are not named budget12.xls and afr11.xls, the formulas will not function properly. Excel will prompt the user to update information when the afr12.xls file is opened. Users should review amounts reported in the budget and prior year actual columns to ensure they agree to the school's most recently revised FY 2012 budget and FY 2011 AFR.

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

The charter school name, county, and CTDS number must be entered on the cover page of the AFR, as indicated. 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 AFR page 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. 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.

ANNUAL FINANCIAL REPORT

The following instructions are provided only for those line items that need further clarification.

COVER PAGE

All information on the cover page must be completed/updated when the AFR is printed out to be signed.

PAGE 1, REVENUE

Report all revenues received by the school on this page. District-sponsored charter schools should report payments received from the sponsoring school district on line 8.

PAGE 2, FEDERAL AND STATE PROJECTS

The total of budget and actual federal and state project expenses (project codes 1100 through 1499 on page 9) should be included on line 37. Schools should not include expenses of project codes 1100 through 1499 with other schoolwide project expenses on lines 1 through 36. The total of budgeted and actual expenses on line 37 should agree with the total of federal and state project expenses on line 30 of page 9.

PAGE 5, AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) DETAIL

If the school received ARRA revenue—Education Jobs or other grants (i.e., ARRA Title I Grant and ARRA IDEA Grant)—for FY 2012, the related disbursements should be reported in this section. Education Jobs and other ARRA grant amounts should also be included in Federal Projects 1100-1399 on page 9.

PAGE 7, SUPPLEMENTARY INFORMATION

Current Assets & Current Liabilities (Section A)

Current assets are resources that can be readily converted into cash within 1 year, or goods or services expected to be consumed within 1 year (i.e., unrestricted cash, marketable securities, accounts and grants receivable, inventory, or prepaid expenses). Current liabilities are obligations expected to be paid from current assets or transferred to income within 1 year (i.e., accounts payable, current portion of notes or capital leases payable or accrued payroll and related benefits).

Audit Services (Section C)

Record amounts expended in FY 2012 for audit services.

Non-federal audit expense incurred in FY 2012 may be included on the budget work sheets for FY 2014 for reimbursement pursuant to A.R.S. §15-914. In order to receive reimbursement in FY 2014, non-federal audit expenses must be included in the FY 2012 AFR. Amounts reported must be amounts

actually spent in FY 2012. **Do not include the costs of consulting or other services paid to audit firms in the non-federal or federal audit services actual expenses.**

Capital Acquisitions (Section D)

Enter the total increase in capital assets, by asset classification, recorded in the general ledger and on the capital assets list for the year ended June 30, 2012. These amounts represent only the acquisitions made during the year costing $5,000 or more and, for equipment, having useful lives of 1 year or more.

Note: If the school's policy is to include land, buildings, and related improvements; site improvements; or equipment costing less than $5,000 on the capital assets list, these items should also be included.

Line 5. Enter the total increase in construction in progress for the year ended June 30, 2012. This amount is not recorded on the capital assets list until the project is completed. Therefore, it will not appear on the capital assets list as of June 30, 2012.

Do not include payments for capital acquisitions on page 2 of the AFR.

Investment in Capital Assets as of June 30, 2012 (Section E)

Enter the total cost, by asset classification, recorded in the general ledger and on the capital assets list as of June 30, 2012, for items costing $5,000 or more and, for equipment, having useful lives of 1 year or more. These amounts represent the ending balances in the capital assets accounts and should not include depreciation.

Note: If the school's policy is to include land, buildings, and related improvements; site improvements; or equipment costing less than $5,000 on the capital assets list, these items should also be included. The sum of lines 1, 2, 3, and 4 should agree with the amount recorded on the school's capital assets list as of June 30, 2012.

Line 5. Enter the total cost of construction in progress as of June 30, 2012. This amount is not recorded on the capital assets list as of June 30, 2012.

Current Expenses by Category (Section F)

Current expenses required to be reported include expenses from all projects for elementary and secondary education. Current expenses do not include outlays for facilities acquisition and construction, furniture, equipment, technology, vehicles, debt retirement, and expenses for nonpublic school programs (e.g., adult/continuing education, community college education, community services, etc.).

The following table presents the current expenses by account codes that should be included in each of the reporting categories. Do not include expenses coded to Program Codes 700, 800, and 900.

REPORTING CATEGORY	CHART OF ACCOUNTS
Classroom Instruction excluding Classroom Supplies	Function 1000 less Function 1000, Object Code 6600
Classroom Supplies	Function 1000, Object Code 6600

Administration	Functions 2300, 2400, 2500, and 2900
Support Services—Students	Function 2100
All Other Support Services and Operations	Functions 2200, 2600, 2700, 3100, and 3400

A.R.S. §15-746(A)(4) requires charter schools to include the above information in their School Report Cards. In addition to including this information on page 7, the Current Expenses form enclosed with this memorandum should be used to record each school's detailed current expenses. Expenses recorded at a schoolwide level should be allocated to campuses based on student counts at each campus.

Schools with only one campus that have completed the corresponding information on the submitted AFR are not required to submit the Current Expense form.

Teacher Salaries (Section I)

The following table presents the specific program codes that should be included in each of the categories for teacher salaries only. Report base salaries, overtime, and additional compensation paid to certified and noncertified teachers, certified and noncertified substitute teachers, and contract teachers. Do not include salaries paid to instructional aides or assistants. Report the salaries based on the appropriate program. If a teacher teaches in more than one program, calculate the salary based on the amount of time instructing in each program.

TEACHER SALARIES	CHART OF ACCOUNTS
Line 1—Regular Education	Program 100 and career education programs coded to Program 200
Line 2—Special Education	Programs 200 (excluding ELL incremental costs, and compensatory instruction, vocational and technological education, and career education programs) and 300
Line 3—Vocational Education	Programs 270 and 540
Line 4—Other Programs	Programs 260, 265, and 530
Line 5—Cocurricular Activities, Athletics, and Other	Program 600

PAGE 8, SUPPLEMENTARY INFORMATION (CONT'D)

Special Education Programs by Type (Section D)

Enter the amounts of expenses for special education programs by type. Supporting documentation should be retained for the allocation of expenses to individual special education programs.

PAGE 9, FEDERAL AND STATE PROJECTS

Amounts for indirect costs, expenses, capital acquisitions, and ending balance should agree with the school's completion reports filed with the ADE Grants Management Office. In addition, the total budget and actual expenses on line 30 should agree with the total column for federal and state projects on line 37 of page 2.

PAGE 10, NATIONAL PUBLIC EDUCATION FINANCIAL SURVEY REPORTING

The information included on this page will be used by ADE to complete the National Public Education Financial Survey (NPEFS) issued by the National Center for Education Statistics. Data from NPEFS is used to calculate a state per pupil expenditure amount that is used in the formula for allocating a number of federal program funds to states and local education agencies, including Title I, Impact Aid, and Indian Education. Other programs make use of state per pupil expenditure data indirectly because their allocation formulas are based, in whole, or in part, on state Title I allocations. The NPEFS data is also used by researchers and government policymakers to address important education policy and research issues.

Report all amounts from Projects 1000 through 1999 on this page.

Property Disbursements

Property Disbursements should include actual payments made during the year for capital acquisitions, not including related capital lease or other debt service payments. Property Disbursements for nonfixed (movable) equipment in Programs 100 through 600 should be allocated to Functions 1000 through 4000 based on the intended use of the equipment. All other Property Disbursements for these Programs should be included in Function 4000.

Property Disbursements by Type

Property Disbursements for Buildings should include only disbursements for the purchase of existing buildings. All disbursements for construction services for buildings and building improvements (whether or not construction is in progress at year-end) should be included on the Construction line.

Debt Service

Debt Service amounts should include interest and redemption of principal for all Programs. Interest should be expenses charged to object code 6850. Redemption of Principal should include payments made during the year for principal on capital leases and other long-term debt that were recorded as a reduction of the related liability.

FOOD SERVICE PAGE

The food service page has been included as a separate file (afr12-food service.xls). This page should be completed and submitted with the other pages of the AFR. Specific instructions for completing the page can be found in ADE's *Annual Financial Report, Food Service Instructions*.

PRINTING

The AFR has been formatted to print on legal-size paper (8½" x 14") at "Actual Size" (100%). The Classroom Site Project reporting form and Current Expenses form 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's Budget Team 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 AFR should be referred to ADE.