

Franklin Phonetic School

Board Meeting Agenda

Tuesday November 29, 2022 @ 3:45 PM

Location: <https://zoom.us/j/9529770968?pwd=MTE2S0VkJNzd6L2tPMtF5VG5vL1ZSdz09>

Password: [pwd=MTE2S0VkJNzd6L2tPMtF5VG5vL1ZSdz](#)

Call to Order

- Approval of Prior Board Minutes from Monday October 24,2022
- Approval of Financial Report
- Acceptance of FY2022 Annual State Audit
- Approval of Amended Procurement Policy

New Business:

- Christmas Rehearsal

Old Business

- Sunnyslope Campus Update

Set Next Meeting

Meeting Adjourned

Franklin Phonetic School Sunnyslope Board Meeting Minutes

Monday October 24,2022

Meeting at 9317 North 2nd Street Phoenix, Arizona 85020

Call to order 3:46 pm

Members Present Riccardo Osuna, Carey Young, Audrey Wright, Alison Alva, Anna Young, Cindy Franklin and Tom Franklin.

Financial Reports We do not have any more payrolls to go out this month. The ending balance was 140581.81 Tom Franklin motioned to approve, Anna Young seconded and motion passed unanimously.

Approval of Prior Board meeting minutes Board meeting minutes from September 29, 2022 were accepted with a motion by Carey Young and seconded by Tom Franklin, motion passed unanimously.

New Business

Approval of Homeless Policy- This is Mickinney Vento Grant that is a title grant to help with homeless families. The paperwork needs to be changed to read K-6th grades. With that change Tom Franklin moved to accept the policy and Carey Young seconded, the motion was passed unanimously. A signed copy of this policy is attached.

FY2022 Annual Financial Report (AFR) We have already approved this. The purpose of it on the agenda is so that we can see it and we all need to sign it and post it within 5 days. A motion was made by Carey Young to acknowledge that all present have seen it and will sign it, the motion was seconded by Riccardo Osuna and passed unanimously.

Lumen Conference- This service is no longer available and we will need to find a company to go through for our board meetings. This is something that may require a fee, which we agree needs to happen.

Old Business

Sunnyslope Campus Update-The band was very cute and we have 35 students in the band this year. The band is going to participate in a light parade here in Sunnyslope on December 10th. Students may wear their costumes on Monday. We will send out a blackboard letting parents know what the rules are regarding this.

New Meeting Scheduled The meeting is November 29, 2022 at 3:45p.m. Alison Alva moves to accept this meeting and Audrey Wright seconded. Motion passes unanimously.

Meeting adjourned Tom Franklin motioned to adjourn and seconded by Audrey Wright. Motion passed unanimously.

Franklin Phonetic Primary School, Inc.

11-1-22 to 11-21-22

SS Income Statement

Current Month

Revenues	\$	
Extended After Care - SS		5,354.00
Cont/Donations Private		0.00
Miscellaneous Revenue		0.00
State Equalization Assistance		51,153.45
Prop 301 - 1011		0.00
Prop 301 - 1012		0.00
Prop 301 - 1013		0.00
Prop 202-Instructional Improve		0.00
Title 1		5,200.00
Title 2		436.00
Title III		0.00
IDEA Basic		1,500.00
IDEA Preschool		100.00
Dyslexia Grant		250.00
School Safety Grant		6,638.94
SEI Budget Comprehensive		718.00
Fund Raisers		419.00
Extracurricular Activities Fee		0.00
Total Revenues		<u>71,769.39</u>
Cost of Sales		<u>0.00</u>
Total Cost of Sales		<u>0.00</u>
Gross Profit		<u>71,769.39</u>
Expenses		
Teachers - Certified		16,307.68
Substitute Teachers		0.00
Other - Non-Certified		0.00
Employee Insurance		0.00
Social Security		5,688.59

Franklin Phonetic Primary School, Inc.

11-1-22 to 11-21-22

SS Income Statement

Retirement Plan	5,918.97
Long-Term Disability	45.89
Miscellaneous Purchased Servic	520.25 *** The Firealarm Inspection
Telephone & Postage	0.00
Continuing Education	0.00
Supplies	108.32 *** Yearbook Supplies
Curriculum Supplies	0.00
Books, Periodicals, & Inst. Al	0.00
Dues & Fees	0.00
Miscellaneous Expense	0.00
Miscellaneous Purchased Servic	0.00
P/C Insurance	0.00
Supplies	0.00
Dues & Fees	0.00
Other - Non-Certified	5,131.20
Employee Insurance	0.00
Workers Compensation Insurance	0.00
Miscellaneous Purchased Servic	0.00
Repair and Maintenance - Equip	0.00
Furniture & Equipment Rental	0.00
Telephone & Postage	181.45
Internet Services	156.96
Travel	0.00
Supplies	0.00
Dues & Fees	0.00
Miscellaneous Expense	0.00
Other - Non-Certified	1,057.00
Employee Insurance	0.00
Miscellaneous Purchased Servic	0.00
Water/Sewer	354.44
Cleaning & Disposal Services	1,236.24
Lawn Care	600.00
Security Services	360.06
Repair and Maintenance - Build	0.00
Repair and Maintenance - Equip	0.00
Land and Building Rental	0.00
P/C Insurance	0.00

Franklin Phonetic Primary School, Inc.

11-1-22 to 11-21-22

SS Income Statement

Supplies	0.00	
Natural Gas/Propane	0.00	
Electricity	0.00	
Employee Insurance	0.00	
Miscellaneous Purchased Service	0.00	
Repair and Maintenance - Equip	0.00	
Student Transportation Service	0.00	
Supplies	0.00	
Gasoline	0.00	
Teachers - Certified	0.00	
Teacher Aides	22,586.97	
Instructional Aids	0.00	
Teachers - Certified	4,000.00	
Continuing Education	0.00	
Stipend - Title III	0.00	
Contracted Counselor/Therapist	765.00	
Teachers - Non-Certified	0.00	
Contracted Counselor/Therapist	0.00	
Miscellaneous Purchased Service	0.00	
Supplies	353.08	***Diversified Copy
Teachers - Certified	698.28	
Employee Insurance	0.00	
Continuing Education	0.00	
Employee Insurance	0.00	
Teachers - Certified	4,286.85	
Other Food	437.50	***Café
Dues & Fees	0.00	
Supplies	0.00	
Dues & Fees	0.00	
Field Trips	0.00	
		<hr/>
Total Expenses	70,794.73	
		<hr/>
Net Income	\$ 974.66	
		<hr/>

FRANKLIN PHONETIC PRIMARY SCHOOL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

SEELY, MULLINS & ASSOCIATES, P.C.
Certified Public Accountants

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
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SEELY, MULLINS & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Loren I. Greenberg, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Franklin Phonetic Primary School, Inc.
Prescott Valley, Arizona

Opinion

We have audited the accompanying financial statements of Franklin Phonetic Primary School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Phonetic Primary School, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franklin Phonetic Primary School, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Board of Directors
Franklin Phonetic Primary School, Inc.**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin Phonetic Primary School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Franklin Phonetic Primary School Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin Phonetic Primary School Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Board of Directors
Franklin Phonetic Primary School, Inc.**

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of Franklin Phonetic Primary School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin Phonetic Primary School, Inc.'s internal control over financial reporting and compliance.


SEELY, MULLINS & ASSOCIATES, P.C.

Glendale, Arizona

November 8, 2022

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

CURRENT ASSETS	
Cash and Equivalents	\$ 2,106,248
Accounts Receivable	78,000
Prepaid Expenses	30,729
Employee Advances	720
Due from Related Party	<u>3,619</u>
Total Current Assets	<u>2,219,316</u>
PROPERTY AND EQUIPMENT, NET	<u>5,014,722</u>
OTHER ASSETS	
Land Closing Costs, Net of Amortization	12,000
Bond Reserve Funds	<u>1,033,362</u>
Total Other Assets	<u>1,045,362</u>
Total Assets	<u><u>\$ 8,279,400</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 65,737
Accrued Payroll Liabilities	203,465
Accrued Interest Payable	186,425
Current Maturities of Long-Term Debt	<u>80,000</u>
Total Current Liabilities	<u>535,627</u>
LONG-TERM DEBT, Net of Current Maturities, Bond Discount, and Debt Issuance Costs	<u>5,836,447</u>
Total Liabilities	<u>6,372,074</u>
NET ASSETS	
Without Donor Restrictions	<u>1,907,326</u>
Total Liabilities and Net Assets	<u><u>\$ 8,279,400</u></u>

See Notes to Financial Statements

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022**

	Net Assets without Donor Restrictions	Total
REVENUES AND OTHER SUPPORT		
Equalization and State Funding	\$ 4,748,569	\$ 4,748,569
Federal Grants	2,096,460	2,096,460
Contributions	17,031	17,031
Rental Income	3,629	3,629
Other Revenues	165,554	165,554
Total Revenues and Other Support	7,031,243	7,031,243
EXPENSES		
Program Services:		
Instruction, Operations and Other	5,252,221	5,252,221
Supporting Services:		
Administration, Operations and Other	846,816	846,816
Total Expenses	6,099,037	6,099,037
CHANGE IN NET ASSETS	932,206	932,206
Net Assets, Beginning of Year	975,120	975,120
NET ASSETS, END OF YEAR	\$ 1,907,326	\$ 1,907,326

See Notes to Financial Statements

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total</u>
Personnel Services			
Salaries and Wages	\$ 2,736,270	\$ 424,193	\$ 3,160,463
Payroll Taxes and Benefits	735,151	40,884	776,035
Total Personnel Services	<u>3,471,421</u>	<u>465,077</u>	<u>3,936,498</u>
Operating Expenses			
Instruction	249,417	-	249,417
Student Support	172,875	-	172,875
School Administration	-	341,420	341,420
Business Support	-	40,319	40,319
Operation & Maintenance	561,303	-	561,303
Student Transportation	26,639	-	26,639
Depreciation Expense	142,784	-	142,784
Café Food Service	200,846	-	200,846
Non-Instructional Student Activities	29,942	-	29,942
Interest & Amortization Expense	396,994	-	396,994
Total Operating Expenses	<u>1,780,800</u>	<u>381,739</u>	<u>2,162,539</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,252,221</u>	<u>\$ 846,816</u>	<u>\$ 6,099,037</u>

See Notes to Financial Statements

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 932,206
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	142,784
Amortization	21,664
(Increase) Decrease in Assets:	
Receivables	(71,970)
Related Party Receivables	54,721
Other Receivables	25,000
Prepaid Expenses	12,169
Bond Reserve Funds	162,429
Increase (Decrease) in Liabilities:	
Accounts Payable	35,608
Accounts Interest Payable	(1,922)
Accrued Expenses	(18,487)
	<u>1,294,202</u>
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(262,633)</u>
	<u>(262,633)</u>
Net Cash Used by Investing Activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments on Notes Payable	<u>(75,000)</u>
	<u>(75,000)</u>
Net Cash Used by Financing Activities	
NET CHANGE IN CASH AND CASH EQUIVALENTS	956,569
Cash and Cash Equivalents - Beginning of Year	<u>1,149,679</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>2,106,248</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash Paid for Interest	<u>\$ 374,850</u>

See Notes to Financial Statements

FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Franklin Phonetic Primary School, Inc. (the School) was incorporated in November 15, 1995 as an Arizona non-profit organization dedicated to prepare students with academic skills and personal attributes that will allow them to be successful in their future college and career choices for grade levels from kindergarten through eighth grade. Revenues are derived principally from Arizona State Equalization Assistance Funds for charter schools.

The School was authorized to operate as a charter school in accordance with the Arizona State Board for Charter Schools dated June 17, 1996 located in Prescott Valley. The term of the original agreement was fifteen years. The charter was renewed with the Arizona State Board for Charter Schools on March 2, 2011 for an additional twenty years. The School opened a second location under a separate contract located in Phoenix, Arizona. The effective date of the contract is July 1, 2014 for fifteen years and can be renewed on June 30, 2014 for an additional twenty years.

Basis of Presentation

The financial statements of the School have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). The School has adopted (ASC) 958-205 and was effective on July 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the School. The School's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The School considers all monetary instruments with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of state funds that have been earned based on student enrollment, but not yet received as of the balance sheet date. The School estimates an allowance of doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. As of June 30, 2022, the School did not anticipate any losses on accounts receivable, and no allowance was recorded. Accounts receivable for the year ended June 30, 2022 and June 30, 2021 totaled \$78,000 and \$6,030, respectively. There were no contract assets or contract liabilities recorded as the School has performed all its contract obligations and the right to payment is unconditional.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, authoritative guidance for *Revenue from Contracts with Customers* (Topic 606). The School does not anticipate this standard will have any significant impact on its operations. The School adopted (ASC) Topic 606 and was effective on July 1, 2018.

The School recognizes revenue from contracts, primarily with federal and state agencies, when services are rendered. A receivable is recorded to the extent the revenue earned exceeds payments received.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC No. 958, if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The School utilizes the services of volunteers to perform a variety of tasks that assist the School with specific programs. No amounts have been reflected in the financial statements for those services because they do not meet the criteria for recognition.

Contributions

Contributions are received and recorded as either support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (when stipulated time restriction expires or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as net assets without donor restrictions.

Functional Expenses

The costs of providing programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses have been classified on the actual direct expenditures and cost allocations based on time and effort, square footage, and/or management's estimates.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Land, buildings and improvements with a cost of \$5,000 or more and vehicles, furniture and equipment of \$5,000 or more and an estimated useful life of one year or more are recorded and stated at cost, if purchased, or at their estimated fair value, if donated. Donations of property and equipment are recorded at fair value as of the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets, which range from five to thirty-nine years. Maintenance and repairs are charged to expense as incurred.

Income Exempt Status

The School is exempt from income taxes under both Federal (Internal Revenue Code Section 501(c)(3)) and state income tax laws, and is classified as other than private foundation. Accordingly, no provision for federal and state income taxes is made in the financial statements. Income from certain activities not directly related to the School's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBIT).

The School applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The School is not aware of any activities that would jeopardize its tax-exempt status.

Compensated Absences

Employees of the School are entitled to paid vacation depending on employment classification. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The School's policy is to recognize the costs of compensated absences when actually paid to employees.

Advertising

The School follows the policy of charging advertising costs to operations when incurred. Advertising expense for the year ended June 30, 2022 was \$8,318.

Management's Review

The School has evaluated subsequent events through November 8, 2022, the date which the financial statements were available to be issued noting no significant events.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – LIQUIDITY AND AVAILABILITY

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities, including both program and administrative expenses. The following represents the School's financial assets at June 30, 2022:

Cash and Cash Equivalents	\$ 2,106,248
Accounts Receivable	78,000
Prepaid Expenses	30,729
Employee Advances	720
Due from Related Party	<u>3,619</u>
 Total Financial Assets	 <u>2,219,316</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 2,219,316</u>

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The School maintains its cash balances in two financial institutions. At June 30, 2022 uninsured deposits totaled \$1,961,387. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022:

Land & Land Improvements	\$ 1,850,218
Building & Building Improvements	4,418,049
Equipment & Fixtures	593,669
Transportation Equipment	270,559
Construction in Progress	<u>42,250</u>
 Total Costs	 7,174,745
Less Accumulated Depreciation	<u>(2,160,023)</u>
Property and Equipment, Net	<u>\$ 5,014,722</u>

Depreciation expense for the year ended June 30, 2022 totaled \$142,784.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – BOND ASSETS

Bond assets consist of the following accounts:

Debt Service Reserve Fund (DSRF)

In accordance with the provisions of the Series 2017 bonds financing, the Bond Trustee established and maintains a separate DSRF. The DSRF shall be maintained in an amount equal to the DSRF requirement. The fund is to be used to make up any deficiencies needed to pay interest or principal on the bonds.

Bond Fund

The bond fund accumulates monthly principal and interest payments made by the School until principal is returned to bondholders once annually and interest is distributed to bondholders twice annually.

Revenue Fund

The revenue fund receives state equalization payments on behalf of the School. The majority of each set of monthly payments is then disbursed to the School once the required amounts are transferred to the bond fund.

Expense Fund

The expense fund directs the trustee to withdraw sufficient funds to pay the trustee an amount equal to one-half (1/2) of the trustee's fees and expenses for that year including fees for services performed by the bond's rebate analyst, so long as any Tax-Exempt Bonds remain outstanding.

Tax and Insurance Fund

Funds accumulate in the tax and insurance fund to pay insurance premiums for all policies required to be maintained by the School relative to insure the School's facilities.

Project Fund

The project fund will be in the custody of the trustee but in the name of the Issuer, and the Issuer authorizes and directs the trustee to withdraw sufficient funds from the appropriate subaccount of the project fund for costs of the project requisitioned by the School as required in the bond agreement.

The following schedule summarizes total bond assets at June 30, 2022.

Bond Fund	\$ 304,247
Debt Service Reserve Fund	457,839
Expense Fund	29,656
Project Fund	79,591
Revenue Fund	1
Tax and Insurance Fund	<u>162,028</u>
Total Bond Fund Assets	<u>\$ 1,033,362</u>

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – RELATED PARTY TRANSACTIONS

Due from Franklin Educational Properties, LLC

Franklin Educational Properties, LLC, a company owned by the president and vice president of the governing board of the School, purchased the land, building, and improvements of the Phoenix school location that the School then leases from Franklin Educational Properties, LLC. The School paid for the cost of the purchase of the land, building, and improvements which is to be repaid by Franklin Educational Properties, LLC. As of the year ended June 30, 2022, the amount due from the related party totaled \$3,619. See Note 10 for information on the related party leases.

Franklin Educational Distributions – Curriculum

The School entered into a contract with Franklin Educational Distributions, a company owned by the president and vice president of the governing board of the School, in July 2012. Franklin Educational Distributions provides the School with language arts curriculums for an annual fee of \$6,000. Amounts billed and paid for the year ended June 30, 2022 totaled \$6,000. The contract renews automatically for periods of one year unless cancelled by either party.

NOTE 7 - RETIREMENT PLAN

The School participates in the cost-sharing multiple-employer defined benefits pension plan administered by the Arizona State Retirement System (ASRS). ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The Arizona State Legislature established and may amend active plan members' and the School's contribution rates. For the year ended June 30, 2022, ASRS member required by statute to contribute at the actuarially determined rate of 12.41% (12.22% for retirement and 0.19% for long-term disability) of the member's annual covered payroll. The School's contributions to ASRS for the year ended June 30, 2022, totaled \$330,796.

NOTE 8 – ECONOMIC DEPENDENCY

The School's revenue for the year ended June 30, 2022, approximately 97% was derived from funds passed through or provided by the Arizona Department of Education. Collection from the state is reasonably assured, provided the School complies with contract terms stipulated in its contract with the Arizona State Board for Charter Schools. Changes in state funding levels for charter schools could have a significant impact on the School's ability to operate.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2022:

Industrial Development Authority Education Facility Revenue and Refunding Bonds, Series 2017 bearing interest at 5.125% at June 30, 2022, with maturity date of July 1, 2029.	\$ 775,000
Industrial Development Authority Education Facility Revenue and Refunding Bonds, Series 2017 bearing interest at 5.50% at June 30, 2022, with maturity date of July 1, 2037.	1,160,000
Industrial Development Authority Education Facility Revenue and Refunding Bonds, Series 2017 bearing interest at 5.75% at June 30, 2022, with maturity date of July 1, 2047.	2,380,000
Industrial Development Authority Education Facility Revenue and Refunding Bonds, Series 2017 bearing interest at 5.875% at June 30, 2022, with maturity date of July 1, 2052.	<u>2,255,000</u>
Total Long-Term Debt	6,570,000
Less: Unamortized Debt Issuance Costs, Net	(461,271)
Less: Unamortized Bond Discount, Net	(192,282)
Less: Current Maturities	<u>(80,000)</u>
Total Long-Term Debt, Net of Current Maturities, Bond Discount, and Debt Issuance Costs	<u>\$ 5,836,447</u>

Interest costs related to debt incurred and charged to expense for the year ended June 30, 2022 totaled \$374,850.

Series 2017 Bonds

On July 1, 2017, the School entered into Series 2017 Bond agreements with the Industrial Development Authority Education Facility Revenue and Refunding Bonds to (1) refinance the outstanding Education Revenue Bonds, Series 2006, issued by the Industrial Development Authority of the County of Pima, (2) finance the costs of acquisition, construction, improvement, furnishing and quipping of land and charter school facilities, (3) fund reserve funds as noted in Note 5. The Series 2017 Bonds are secured by the deed of trust for the School.

Restrictive Covenants

The provisions of the bond agreement contain restrictive covenants pertaining to financial and operational requirements of the School.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – LONG-TERM DEBT (Continued)

Scheduled annual principal maturities of long-term debt at June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 80,000
2023	85,000
2024	90,000
2025	95,000
2026	100,000
Thereafter	<u>6,120,000</u>
Total	<u>\$ 6,570,000</u>

NOTE 10 – OPERATING LEASES

In November 2016, the School entered into a rental agreement with the related party Franklin Educational Properties, LLC, which is owned by the president and vice president of the governing board of the School, for the rental of the land, buildings, and improvements of the Phoenix school location. Under the terms of the lease, monthly payments are \$10,500 a month for ten years with an option to renew for an additional ten years. Total rental payments for this lease and for related party rents for the year ended June 30, 2022 totaled \$126,000.

The School also has an operating lease with a non-related party for various office equipment. This lease was entered into in September 2018 and it expires in September 2024. The lease payments are \$2,042 per month.

Future minimum lease payments under these operating leases at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 157,508
2024	136,502
2025	126,000
2026	<u>126,000</u>
Total	<u>\$ 546,010</u>

Total lease expense for the year ended June 30, 2022 totaled \$174,959.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation - The School is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the School's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

Compliance - The School's compliance with certain laws and regulations is subject to review by its Sponsor. Although such reviews could result in a reduction of state equalization assistance, any required reductions are not expected to be significant.



SEELY, MULLINS & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Loren I. Greenberg, C.P.A.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors

Franklin Phonetic Primary School, Inc.

Prescott Valley, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Franklin Phonetic Primary School, Inc. (School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated November 8, 2022.

Internal Control Over Financial

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members: American Institute of Certified Public Accountants γ Arizona Society of Certified Public Accountants
Website: www.seelymullins.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SEELY, MULLINS & ASSOCIATES, P.C.

Glendale, Arizona
November 8, 2022



SEELY, MULLINS & ASSOCIATES, P.C.

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Loren I. Greenberg, C.P.A.

Independent Accountants' Report


Board of Directors
Franklin Phonetic Primary School, Inc.
Prescott Valley, Arizona

We have performed the procedures enumerated below, which were agreed to by Franklin Phonetic Primary School, Inc. (School) and the Arizona State Board for Charter Schools (Sponsor) solely to assist the specified parties in evaluating the School's compliance with applicable legal requirements during the year ended June 30, 2022. Management is responsible for the School's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and related findings, if any, are disclosed in the accompanying Arizona State Board for Charter Schools Uniform System of Financial Records for Charter Schools Compliance Questionnaire and Procurement Compliance Questionnaire in accordance with the instructions contained therein. We found no noncompliance with the Uniform System of Financial Records for Charter Schools Compliance Questionnaire and Procurement Compliance Questionnaire.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the School and the Arizona State Board for Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.


SEELY, MULLINS & ASSOCIATES, P.C.
Glendale, Arizona
November 8, 2022

Members: American Institute of Certified Public Accountants & Arizona Society of Certified Public Accountants
Website: www.seelymullins.com

FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS
JUNE 30, 2022

SEELY, MULLINS & ASSOCIATES, P.C.
Certified Public Accountants

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
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YEAR ENDED JUNE 30, 2022**

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Loren I. Greenberg, C.P.A.

INDEPENDENT AUDITORS' REPORT IN COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Franklin Phonetic Primary School, Inc.
Prescott Valley, Arizona

Report on Compliance for Each Federal Program

We have audited Franklin Phonetic Primary School, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Franklin Phonetic Primary School, Inc.'s major federal programs for the year ended, June 30, 2022. Franklin Phonetic Primary School, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin Phonetic Primary School, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin Phonetic Primary School, Inc.' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Members: American Institute of Certified Public Accountants γ Arizona Society of Certified Public Accountants

Website: www.seelymullins.com

**Board of Directors
Franklin Phonetic Primary School, Inc.**

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin Phonetic Primary School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin Phonetic Primary School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of Franklin Phonetic Primary School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin Phonetic Primary School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin Phonetic Primary School, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Board of Directors
Franklin Phonetic Primary School, Inc.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SEELY, MULLINS & ASSOCIATES, P.C.

Glendale, Arizona

November 28, 2022

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor	Assistance Listing Number	Passed-Through Entity	Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
National School Lunch Program - Reimbursement				
Prescott Valley	10.555	Arizona Department of Education	N/A	\$ 352,512
Sunny Slope	10.555	Arizona Department of Education	N/A	<u>94,559</u>
Total U.S. Department of Agriculture				<u>447,071</u>
U.S. DEPARTMENT OF EDUCATION				
Title I				
Prescott Valley	84.010A	Arizona Department of Education	22FT1TTI-110229-01A	141,217
Sunny Slope	84.010A	Arizona Department of Education	22FT1TTI-110818-01A	51,429
Title II				
Prescott Valley	84.367A	Arizona Department of Education	22FT1TII-110229-03A	8,560
Sunny Slope	84.367A	Arizona Department of Education	22FT1TII-110818-03A	4,274
Title III				
Prescott Valley	84.365A	Arizona Department of Education	N/A	6,256
Special Education - IDEA - Part B				
Prescott Valley	84.027A	Arizona Department of Education	22FESCBBG-110229-09A	83,055
Sunny Slope	84.027A	Arizona Department of Education	22FESCBBG-110818-09A	15,443
Special Education - IDEA Preschool Grant				
Prescott Valley	84.173A	Arizona Department of Education	22FECCBP-110229-37A	1,892
Sunny Slope	84.173A	Arizona Department of Education	22FECCBP-110818-37A	1,770
Special Education - ARP - IDEA Basic				
Prescott Valley	84.027X	Arizona Department of Education	22FARPIB-210229-01A	16,895
Sunny Slope	84.027X	Arizona Department of Education	22FARPIB-210818-01A	3,378
Special Education - ARP - IDEA Preschool Grant				
Prescott Valley	84.173X	Arizona Department of Education	22FARPIP-210229-01A	1,262
Sunny Slope	84.173X	Arizona Department of Education	22FARPIP-210818-01A	252
Elementary & Secondary School Emergency Relief Fund				
Prescott Valley	84.425D	Arizona Department of Education	22FESSII-110229-01A	123,589
Sunny Slope	84.425D	Arizona Department of Education	22FESSII-110818-01A	30,000
Elementary & Secondary School Emergency Relief Fund				
Prescott Valley	84.425U	Arizona Department of Education	22FESSIII-110229-01A	858,350
Sunny Slope	84.425U	Arizona Department of Education	22FESSIII-110818-01A	301,767
Total U.S. Department of Education				<u>\$ 1,649,389</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,096,460</u></u>

See Accompanying Notes

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Franklin Phonetic Primary School, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Franklin Phonetic Primary School, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Franklin Phonetic Primary School, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) Franklin Phonetic Primary School, Inc. did not elect to use a 10% de minimus cost rate.

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

SECTION I - SUMMARY OF AUDITORS'S RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

Type of auditors' report issued on compliance for each major program listed below

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.555	National School Lunch Program
84.425D	Covid-19 - Elementary and Secondary School Emergency Relief
84.425U	Covid-19 - Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee?

yes no

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2022**

**SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

None

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2022**

None

**FRANKLIN PHONETIC PRIMARY SCHOOL, INC.
PROCUREMENT POLICY**

AMENDED POLICIES

The following policies should be implemented to comply with statutory requirements and maintain adequate internal control over disbursements.

The Governing Board should approve all long-term contracts before the contracts are executed.

The School District Procurement Rules adopted by the State Board of Education in accordance with A.R.S. § 15-213.A. 1 must be followed for all purchases including construction in excess of the limits established by A.R.S. §41-2535 (\$ 10,000.00). For procurement of construction in excess of \$ 10,000.00 dollars, schools may follow the Simplified Construction Procurement Program when adopted by the State Board of Education in accordance with A.R.S. § 15-213.A.2.

Schools should follow the guidelines for competitive purchasing below the dollar limits required for sealed bids for all purchases not exceeding \$ 10,000.00 dollars. (see page VI-G-8).

Purchase Orders will be prepared for all goods, except exempt items such as salaries and related cost, utilities, and in state travel or where a contract exist.

Receiving reports should be prepared for goods received (when applicable), except exempted items.

Disbursements from authorized bank accounts should be made with pre-numbered checks. Each check should be marked "void after 180 days" to help ensure prompt cashing by the payee.

Checks should be properly completed before issuance, and should not be written payable to cash or bearer. Void checks should be so stamped to prevent reuse and numerically filed with other canceled checks.

Unused checks should be physically safeguarded and access to them limited.

FRANKLIN PHONETIC PRIMARY SCHOOL ACCOUNTING POLICIES AND PROCEDURES

To insure a proper internal control system, the following accounting procedures and policies have been adopted by the governing board of the Franklin Phonetic Primary School, Inc.

- A. The school shall keep its records on an accrual basis. Further all journal entries and ledgers shall be kept using a double entry accounting system.**
- B. The board hereby authorizes the establishment of the following bank accounts.**
 - 1. General Checking Account (Operating)**
 - 2. Revolving Checking Account (the balance in this account shall never exceed \$5000.00 dollars) Principal Account**
 - 3. Payroll Account**
 - 4. Money Market Account with a local bank to hold excess funds**
 - 5. Lunch Account (monies collected from the school lunch program)**
 - 6. Activities Account (for all fund raisers, extracurricular activities, dues and fee's)**
- C. Cash should flow through school bank accounts in the following manner;**
 - 1. All funds received shall be processed in accordance with cash receipts policy and shall be deposited into the general checking accounts (whichever account is the applicable account) on a weekly basis. Should funds on hand ever exceed \$1,000.00 dollars, the funds shall be deposited to the applicable general checking account by the next business day.**
 - 2. Bi-Monthly, funds will be transferred to the following accounts:**
 - a. Payroll Accounts – Whatever amount is needed to cover gross payroll for the pay-periods plus all related payroll tax liabilities, retirement and insurance liabilities.**
 - b. All payroll tax liabilities shall be paid to the government agency assessing the tax within three business days following the pay period date (or when due)**
 - c. All retirement and insurance liabilities shall be paid monthly on the last day of the month (or when due).**
 - d. Revolving Check Account: In whatever amount is required to bring the account balance back up to \$5,000.00.**

The governing board shall receive full reports of the account activity for both accounts prior to authorization of above transfers.

1. At the end of each month, a cash expectations report shall be prepared by the school book keeper. Based on this report, and funds in the General checking account which are not needed for expenses shall be transferred to the money market account. Conversely, should the cash amount in the account be too small to cover the expected cash needs, money shall be transferred from the money market account to the general account.. The governing board shall authorize and specify the amount of any transfers. (this rule has been changed as the banking institute only allows so many transfers per month before getting charged so the money will be mainly kept in the revolving account and transferred to other accounts as needed).
2. The revolving checking account shall be used for all normal operating expenses of the school. When a bill is due (or if a teacher is requesting an expense reimbursement) a revolving account check request is prepared by the payee (if applicable). Said request is then approved by the school administrator. A check is prepared by the school book keeper.

D. Cash Receipt Procedures:

1. Each person receiving money on behalf of the school shall have a receipt book. Said receipt book shall contain pre-numbered three part receipts.
 - a. When money is received, a receipt is ALWAYS prepared. One copy of the receipt is given to the payer. Copy two of the receipt is forward along with the money received to the school receptionist on a daily basis (if needed). Copy three is retained in the receipt book.
 - b. When the receipt book is full, the school book keeper shall issue a new receipt book to the school representative. Prior to issuing a new receipt book, the book keeper shall verify that all receipts in the old book are accounted for.
 - c. On a daily basis, the school receptionist shall prepare a cash receipts summary and forward the said summary to the school administrator (if applicable). All reports shall be stapled to the daily cash receipts summary.
 - d. The school administrator shall prepare a bank deposit ticket and deposit the money. The person who prepares the deposit slip should not be the person depositing the money.
 - e. The school administrator shall give the cash receipts summary and deposit receipt to the bookkeeper.

E. Disbursements

- 1. All disbursements shall be approved by a majority of the governing board.**
- 2. All checks used by the school shall be marked "void after 180 days"**
- 3. The governing board shall approve all long-term teaching and construction contracts and contracts shall be used whenever feasible. When contracts do not exist, purchase order system shall be established (if applicable)**
- 4. Blanket purchase orders shall be used for recurring cost such as food, fuel, and office supplies (if applicable). These purchase orders shall be issued quarterly (not to exceed 3 months) and shall be limited in dollar amounts within the budget constraints.**
- 5. Where blanket purchase orders will not work, specific purchase orders shall be used (if applicable).**
 - a. Requesting party submits a purchase requisition to the school administrator.**
 - b. School Administrator shall determine if item is within budget guidelines. If so, an approved requisition is sent to the school receptionist or book keeper to generate a P.O.**
 - c. School receptionist shall**
 - 1. Prepare a purchase order**
 - a. Purchase orders are issued in a numerical sequence on numbered forms from the accounting system.**
 - b. A copy of each purchase order shall be kept in numerical order on file.**
 - 1. One copy is given to the Vendor**
 - 2. Copy of PO is kept on file by Vendor name**
 - 3. Copy of PO goes to a receiving file until the order is received.**
 - c. When the order is delivered the school receptionist verifies the amount, and condition of the product using a copy of the PO. The completed copy of the PO should be reviewed by the School's Appointee.**
 - d. School receptionist either delivers product to requestor or files it into inventory storage area.**
 - e. School Administrator compares a copy of the PO with the packing slip and then forwards it off to the book keeper.**
 - f. Book keeper files completed purchase orders until the invoice is received from the Vendor. Upon receipt, invoice is checked for accuracy and submitted to the governing board for payment approval.**

F. Supplies

All educational and office supplies not assigned to specific programs and purchased by the school not donated by parents, shall be kept in the storage area behind the receptionist (if it will fit). Teacher shall complete a supply request form and give it to the school receptionist. School receptionist shall issue supplies indicating the quantity issued and sign the request form. The teacher receiving the supplies shall verify the supplies received, sign the request form and return it to the school receptionist. The receptionist shall forward the signed form to the school book keeper (if applicable). All supplies received shall be posted to an inventory system. Adjustments to the supplies expense account shall be made using a FIFO method of cost allocations. A physical inventory of supplies shall be taken before June 30th of each year.

G. Fixed Assets

1. Assets costing more than \$ 1000.00 dollars and having a useful life in excess of 1 year shall be specifically accounted for.
2. Each of the above assets shall be marked with an identification tag. Said tag shall identify the school as the owner and have a number for reference.
3. All assets meeting the criteria for item # 1 shall be listed in a subsidiary ledger. Said Ledger shall include the following information on each asset:
 - A. Location of asset
 - B. Tag reference number
 - C. Description of asset
 - D. How acquired (purchase donation)
 - E. Date acquired
 - F. Cost (or if donated the value at the time of donation)
 - G. A physical inventory of all fixed assets should be taken every two years as close to the end of the school year if possible).

H. Bidding Requirements

1. Items purchased by the school with a unit price over \$ 5000.00 shall have at least one written quote in the file (if available)
2. Items purchased by the school for over \$ 3000.00 but less than \$ 5000.00 will have an oral price quotes written somewhere on a purchase order or material request (if applicable)
3. Construction work exceeding \$ 15,000.00 will be offered out for competitive bid. A notice for bids with a specific deadline will be posted on the school website. Contracts will be awarded at a public Board Meeting of the governing board.

GUIDELINES FOR COMPETITIVE PURCHASING BELOW THE DOLLAR LIMITS REQUIRED FOR SEALED BIDS

The Corporate Governing Board in its original meetings has designated the Board President and Vice-President as the authority to award purchasing contracts in amounts not to exceed \$200,000.00.

Those so designated may not participate in any aspect of a specific procurement from which they could benefit directly or indirectly from a contract for such procurement. The school should have a policy that a violation of this prohibition may result in termination of other disciplinary action against such employees.

The school will obtain an oral price quote from at least one vendor for all purchases in excess of \$ 3,000.00 dollars but less than \$ 15,000.00 dollars.

The school will obtain written price quotations from at least one vendors for all purchases of at least \$ 15,000.00 dollars or more for goods only or Construction projects over \$ 25,000.00 dollars.

Whether to request an oral or written quote is determined by analyzing the known requirements for an item or a collection of items that, in the aggregate, may result in the purchase of the item or items from one vendor.

The vendors contacted and their price quotations will be written on a or attached to the school's file copy of the related requisition form of a purchase order. If one quotation cannot be obtained, the school will also document the vendors contacted who did not offer price quotations and the reason why they would not do so. If a vendor is selected because of reasons other than the lowest price, such as quality of the product or work to be performed, the reasons should be fully documented.

The invitation for price quotes should be issued in sufficient time before the purchase is to be made and in sufficient detail to allow vendors to adequately respond.

An exception to the above guidelines for price competition may be made in the event of an emergency involving health, safety, or welfare of school personnel or students.

YEAR END CUTOFF

At fiscal year-end, the school will prepare a list of liabilities for goods or services received on or before June 30th that were not paid by that date. The list, summarized by account, will include vendor name, receiving report date, purchase order (if applicable) and estimated cost as recorded on purchase order (if applicable) or actual cost if the school has received the invoice. Such liabilities typically include accounts payable, salaries and wages payable, lease purchase contract payable, and construction contracts payable.

Accounts Payable

Fiscal year-end accounts payable consist of liabilities for goods and services received on or before June 30th that have not been paid as of that date. To properly establish these liabilities, the school will review purchase orders, receiving reports, vendor invoices, and other relevant information in the vendor files, and determine the dollar amount of goods and services received but not paid for by June 30th which will be summarized by account.

Salaries and Wages Payable

Salaries and wages payable consist of amounts earned by employees at June 30th that have not been paid as of that date and related payroll expenses. Salaries and wages payable will also include the amount still owing on employment contracts that is not paid by June 30th.

Lease-Purchase Contract Payable

The school will review lease-purchase contracts and corresponding payment schedules and determine the portion that is payable by June 30th.

Construction Contract Payable

The school will review construction contracts and certificates of payment and determine the amount of construction work completed but not paid as of June 30th, and record the amount as construction contract payables.

Petty Cash Account

A petty cash account for minor disbursements when a check is not required will be established by a check drawn on the regular revolving account. This has been authorized by the Governing Board in May 1996. The Office Manager has been designated the petty cash custodian. They will make sure the key to Petty cash is kept in a secure place and that the cash itself is in a locked cash box. In the event of her absence, the Principal will be allowed to disburse Petty cash upon the following the proper procedure.

The Monies in the Petty Cash box plus the written request should equal the authorized Petty Cash amount at all times.

The following procedures will be observed when disbursing Petty Cash.

- 1. Complete a request form (if applicable)**
- 2. Obtain approval from the custodian or other supervisor (Principal, Vice-Principal)**
- 3. After the item (s) is purchased, return the receipt to custodian.**

The Petty Cash Custodian Will.

- 1. Verify the accuracy of the sales receipt.**
- 2. Verify the accuracy of the withdrawal request form (if applicable)**
- 3. Sign and date request form (if applicable)**
- 4. Make sure that the employee has signed the request form (if applicable)**
- 5. Accept change and verify accuracy of the records.**
- 6. Replenish the account when funds are low.**

To Replenish the account the custodian will.

- 1. Complete a revolving check account request and have it approved by the Principal or Vice-Principal.**
- 2. Submit the request to the bookkeeper.**
- 3. Balance the account and deliver sales receipt to the bookkeeper.**
- 4. Obtain a check from the bookkeeper and send someone else to cash it.**

Double Entry Accounting

A double entry accounting will be used in which each transaction affects at least two accounts. The total amount of debits should equal the amount of credit.

Accrual Accounting Will Be Used

All revenues, expenses and the related assets and liabilities will be recorded and reported on an accrual basis. Expenses will be recorded in the fiscal year in which goods and services are received. Revenues will be recorded in the accounting period in which they are earned.

Journal Entry Approval

The journal entries will be kept on the computer.

1. Each page will indicate the type of journal and page number.
2. Each transaction will be coded with the chart of accounts
3. The date of each transaction by (day, month, year) will be recorded.
4. The amounts will be totaled and the debits will equal the credits.
5. Each entry will be posted individually to the general ledger if it comes from the general journal, if it is from a special journal, it will be posted monthly. Each amount posted will be cross referenced to show where the amount was posted from.

Special Journals

1. Special journals will be used to record recurring entries.
2. Journals will be kept separate by type of transaction.
3. Cash receipts and cash disbursements journals will be kept.
4. The account codes will follow the USFR regulations.

Disbursements Journals

The check, number and date will be recorded in this type of journal. When processing vouchers, disbursements are recorded by date of receipt of goods or services.

Franklin Phonetic Primary Charter School
REVOLVING ACCOUNT CHECK REQUEST

Date _____ Amount \$ _____
Payable to _____
Invoice No. _____
Purpose _____

Requested by _____

Approved by _____

TO BE COMPLETED BY CUSTODIAN:

Check No. _____ Date _____
Account Code _____

Signature _____

Franklin Phonetic Primary Charter School
REVOLVING ACCOUNT CHECK REQUEST

Date _____ Amount \$ _____
Payable to _____
Invoice No. _____
Purpose _____

Requested by _____

Approved by _____

TO BE COMPLETED BY CUSTODIAN:

Check No. _____ Date _____
Account Code _____

Signature _____

General Ledger

In the event that the computer system proves to be complicated, the general ledger will be hand posted. This ledger will be organized according to the chart of accounts. It will contain the following accounts.

- 1. Assets, liabilities and Equity/Net Assets**
- 2. Revenues, Gains, Expenses and Losses**

At the beginning of the year the school will:

Establish a general ledger account for each source of revenue, expenses, gains and losses. Prepare subsidiary ledgers when more detailed information is desired.

Post total revenues, expenses, gains and losses monthly from the appropriate journals to the general ledger accounts.

Budgetary Accounting

A budgetary accounting system will be established.

At the beginning of the fiscal year and the budgeted balance of each account will be entered in the budget column.

As items are purchased and funds are committed, the remaining budget balance will be calculated.

When a purchase is proposed, the school must estimate whether or not the balance is sufficient to approve the purchase.

Quarterly, a trial balance will be prepared to show that the ledger is in balance.

A written bank reconciliation will be prepared monthly by our contract consultant who is not responsible for handling cash or issuing checks. They will follow these procedures.

The bookkeeper will act as the revolving account custodian. This person will:

- a. Verify the mathematical accuracy of the invoice and ensure that the Revolving Account Check Request is properly completed and approved. Any discrepancies noted should be investigated and resolved prior to check issuance.
- b. Sign and date the Revolving Account Check Request
- c. Prepare the revolving check account check
- d. Record the check number, account code, and date on the Revolving Account Check Request Form.
- e. Record the check number, issue date, description, amount, and calculate a new balance in the revolving account check register.
- f. Forward the signed check to the requestor
- g. Mark the vendor invoice and other supporting documentation paid, indicating check number, amount and date to prevent reuse.
- h. File the revolving account check request and supporting documentation in an unreimbursed disbursements file.

When the revolving account cash balance reaches a predetermined minimum level, the custodian should replenish the account. Before initiating replenishment procedures, the custodian should reconcile the cash on hand and the unreimbursed check requests and supporting documents to the imprest amount.

Revolving Account Replenishment Procedures

1. The custodian should submit all Revolving Account Check Request and related supporting documentation, including copies of bank statements verifying service charges, filed in the unreimbursed disbursements file to the employee responsible for voucher preparation.
2. The voucher should be prepared in accordance with the procedures outlines in § V1-G, Disbursements. The disbursements should be charged to the account codes listed on the Revolving Account Check requests. The voucher should equal the total of paid invoices or other supporting documents and any applicable bank service charges.
3. The check received from the general bank account should be deposited into the revolving account. The deposit slip should be prepared in a duplicate and the copy retained by the custodian. (see § V1-F, Receipts, for detailed deposit procedures).

The custodian should record the deposit in the check register when the validated bank deposit receipt is received and matched up with the copy retained. The

validated bank deposit receipt and copy should be retained in the revolving account file.

Bank Reconciliations

A written bank reconciliation will be prepared monthly by our contract consultant who is not responsible for handling cash or issuing checks. They will follow these procedures.

Bank Reconciliations Procedures

- 1. Receive the unopened envelope containing the bank statements and canceled check or printed off the online banking site.**
- 2. Obtain the check register and file of validated deposit slips for the bank account.**
- 3. Compare the canceled checks to the check register to ensure that the number, date, payee and amount are in agreement. Canceled checks should be examined for alterations, authorized signatures, and irregular endorsements.**
- 4. Prepare a listing of outstanding checks. Outstanding checks are checks that have been issued and deducted from the check register balance, but have not been deducted from the bank balance as shown on the bank statement. If the listing of outstanding checks discloses checks that have been outstanding for six months (180 days) or longer, the employee should void those checks, delete them from the of outstanding checks, and increases the balance of the check register by the amount of the voided checks.**
- 5. Compare the date and the amount of each deposit shown on the bank statement to the validated bank deposit slip maintained on file and in the check register.**
- 6. Prepare a listing of deposits in transit. Deposits in transits made subsequent to the bank statement date and, therefore are not included in the bank balance or shown in the bank statement.**
- 7. Differences noted in 3 and 5 should be resolved and the check register balance adjusted, if necessary.**
- 8. Record the bank charges indicated on the statement in the check register.**
- 9. Compute the month end reconciled balance as follows:**
 - Ending balance per bank statement**
 - (+) Deposits in transit**
 - (-) outstanding checks**
 - (=) Month-end reconciled balance**
- 10. Compare the balance computed in 9 to the adjusted balance in the check register. Differences should be investigated and resolved.**

11. Sign and date the reconciliation. If the employee preparing the reconciliation is also responsible for handling cash or issuing checks, the business manager or administrator should review and sign the reconciliation.
12. File the reconciliation, bank statement, and canceled checks by bank account and month.

Fixed Assets Listing

1. Location (campus, department, building, etc.)
2. Identification number for equipment (tag number, serial number, or other number that specifically identifies them).
3. Description (model number, size color, etc.)
4. Method of acquisition (purchase, construction, trade, lease-purchase, or donation)
5. Source of funding (the project from which the item was purchased)
6. Acquisition date (month, date, year of acquisition)
7. Purchase Document Number (PO Number, Voucher Number, or other document number that can be used to trace this supporting documentation).
8. Cost (see valuation of fixed assets V1-E-#).
9. Condition of asset (required only for assets with unit costs of \$ 5,000.00 dollars or more purchased with Federal Monies).
10. Percentage of Federal participation (required only for assets with unit cost of \$ 5,000.00 dollars or more purchased with Federal monies).

The listing should be maintained by separate assets category (i.e., land and improvements, building and improvements, and equipment).

Valuation of Fixed Assets

Fixed assets may be constructed or acquired by purchase, donation, lease-purchase, or trade and are to be valued at actual cost unless donated.

Purchase – Fixed assets purchased should be recorded at actual cost. Actual cost includes ancillary charges necessary to put assets in it intended location and condition for use. Ancillary cost includes sales taxes, freight and delivery charges, installation, assembly and testing charges, and other incidental charges.

For purchases of land, incidental cost that are also a part of the total cost of the land include legal fees, attorney fees, title fee's, architect's fee's, survey

fee's, appraisals, recording fee's, assumption of liens and delinquent taxes, and other closing cost.

Site preparation cost such as clearing, filling, grading, or demolition work that are not directly connected with the construction of buildings or improvements to buildings should also be included

Land improvements include the acquisition cost of permanent improvements to land such as sidewalks, roadways, retaining walls, sewers, and storm drains, original surfacing and soil treatment of athletic fields and tennis courts, furnishing and installing fixed playground apparatus or bleachers, flagpoles, gateways, fences and underground storage tanks.

The cost of a building (including relocatable building) should include:

1. The contract purchase price
2. Expenses to place the building into serviceable condition
3. Architectural and engineering fees
4. Attorney Fee's
5. Building Permits
6. Licenses

Improvements to buildings may include permanent fixtures such as heating and cooling equipment, plumbing and lighting fixtures, and tearing out or building walls and partitions, adding windows and doors, stairways, corridors, and rooms.

If several fixed assets are purchased together, the total cost should be allocated proportionately among the assets to enable the separate cost of the assets to be recorded and the proper calculation of depreciation. The allocation should be based on the fair values of fixed assets at the date of acquisition.

If a purchase transaction includes the trade-in of a similar used asset, the school should record the new asset on the fixed assets listing it as its fair value as of the date purchased. For example, a vehicle with an invoice price of \$ 10,000.00 dollars is acquired with \$ 8,000.00 dollars cash and the trade-in of another vehicle originally purchased for \$ 7,000.00 dollars. The old vehicle has a book value of \$ 2,000.00 dollars and accumulated depreciation of \$ 5,000.00 dollars. The new vehicle should be recorded on the fixed

assets listing at \$ 10,000.00 dollars and the old vehicle should be deleted from the listing.

Schools should distinguish between cost for improvements and cost for repairs and maintenance. If a cost increases the utility or significantly extends the useful life of an asset, it should be added to the assets cost on the listing and depreciated. If a cost returns the asset to its normal operating condition, it should be classified as a repair and maintenance expense and should not be included on the fixed asset listing.

Bank Accounts

The Franklin Phonetic Primary School, Inc. School Board has authorized six bank accounts.

One will be used for student activities. The account will be monitored by the Office Manager.

The payroll and supporting taxes will be paid out of the Payroll Accounts.

The operating account will be maintained for Accounts payable/Accounts receivable, etc.

The money market account will be used to hold CSF Payments until payments required to be paid out.

The lunch account will be used for lunch money payments and payables.

The principal account will be used for school administration purposes if needed.

Salaries will not be paid out of the revolving account

This account will be used for activities that require immediate cash outlays such as utilities, postage, fuel, rent, consumable supplies, travel and capitol expenses.

Expenses over \$500.00 dollars will need to be authorized before purchased.

Request must be signed by either the Principal or Vice-Principal

The checks will be written by the bookkeeper and signed by one of the authorized supervisors.

Lease-Purchases – When lease agreements are entered into, the school should examine the agreement to determine if the leased asset should be recorded on the fixed asset listing.

Leased assets should be recorded in the fixed asset listing if at least one of the following criteria is met.

1. The lease transfers ownership of the property to the school at the end of the lease term.
2. The lease contains a bargain purchase option. A bargain purchase option is a provision allowing the school to purchase the leased property for a price lower than expected fair value of the property at the date the school may take the bargain purchase. The difference between the purchase price and the expected fair market value should be large enough that it is reasonably assured when the lease is entered into that the school will make the bargain purchase.
3. The lease term is equal to 75% or more of the estimated useful life of the leased asset.
4. The present value of rental and other minimum lease payments at the inception of the lease, excluding executory cost, equals or exceeds 90% of their fair market value of the leased property.

In accordance with generally accepted accounting principles, the school should value leased purchases that are recorded on the fixed assets listing at the lesser of the fair market value at the inception of the lease, or the present value of the net minimum lease payments (usually the principal amount) at the beginning of the lease term.

Donation – Schools should record fixed assets acquired by donation, bequest, or gift at their fair market value as of the date of acquisition.

Construction – Schools may construct asset under a contract with outside vendors or, if the total cost of the project does not exceed \$ 25,000.00 dollars, with labor provided by school employees.

All cost incurred during the construction period should be accumulated in the Construction in Progress asset account until the project is completed. Such cost may include architectural and engineering fees, cost of materials, supplies and labor; temporary building used for construction offices and the storage of materials and tools, permits, licenses and fees, premium for worker's compensation and casualty insurance, and easements. If school employees construct an asset the salaries, wages, and employee benefits of the school employees for that labor should be included in the cost of the asset. After the project is completed, the school should reclassify the asset from the Construction in Progress account to its proper category on the fixed asset listing.

Depreciation – Schools should record depreciation on all fixed assets except for land in order to determine total operating expenses.

Schools should maintain a subsidiary ledger or a depreciation schedule for depreciable assets in order to monitor each asset's value for disposal. The ledger schedule should include tag number, description, cost, and accumulated depreciation.

Acquisitions and Disposals

The fixed assets listing may be maintained on a current basis or, if preferred, a separate listing of acquisitions may be maintained during the year and used to update the fixed asset listing at the end of the year.

The school will use the following suggested procedures for disposing of assets.

- 1. A request for "Authorization to Dispose of Equipment" form should be prepared by the Principal or individual responsible for the physical control of the property and should be approved by the Governing Board or authorized administrator for disposals by sale, trade-in, loss, obsolescence or damage.**
- 2. When an asset is disposed of, the asset should be either deleted from the school's fixed asset listing or included on the listing of disposals that will be used to update the fixed asset listing at fiscal year-end.**
- 3. The school should also remove obsolete or damaged equipment from the fixed asset listing. A separate listing of these items may be maintained for control purposes until the items are disposed of.**

Reconciling Changes in Fixed Asset Accounts to the Fixed Asset Additions Listing

Schools should reconcile the changes in the fixed asset accounts in the general ledger to the fixed asset additions listing at the end of each fiscal year. The reconciliation should be documented in writing. If there is a material difference, the form on V1-E-12 may be used to help resolve the differences. This procedure provides assurance that the equipment items costing \$ 300.00 dollars or more and with useful lives longer than one year,

and land, buildings, and related improvements costing \$ 15,000.00 dollars or more are included on the fixed asset listing independent of the record keeping and custodial functions for fixed assets prepare the reconciliation. If this is not possible, a school administration should review and approve reconciliation.

Reconciling the Previous Year-End Listing to Current Year-End Listing

Reconcile the previous year-end fixed assets listing to the current year-ending listing to help provide accuracy and continuity of the listing.

POLICIES

The following policies should be implemented to maintain adequate internal control over receipts.

Receipts should be adequately safeguarded and properly recorded on a timely basis using the account codes prescribed in §111, Chart of Accounts.

Schools should segregate among employees the duties of receiving, depositing, and recording receipts. (Schools unable to adequately segregate duties due to insufficient staff size should implement additional supervisory review at appropriate points in the process, to help ensure that adequate internal control is maintained).

Employees handling significant amounts of cash should be adequately bonded.

Pre-numbered and numerically controlled cash receipt forms should be prepared in triplicate for each cash payment received. They may be hand written, or generated by a computer system or a cash register.

Cash receipts should be deposited intact daily, when significant, or at least weekly.

A validated bank deposit receipt should be retained for each bank deposit.

Accounting Procedures

- 1. Magazine Subscriptions**
- 2. Conference Registrations**
- 3. Hotel Accommodations**
- 4. Airfare**
- 5. Service/Maintenance Contracts**
- 6. Membership Dues**
- 7. Early payments of lease purchases to reduce interest cost**
- 8. Payments to vendors that do not accept purchase orders (e.g. federal government)**
- 9. Enrollment Fees**

The school will prepare written documentation, signed by an authorized school administrator, supporting the decision to prepay such items and retain it with disbursements supporting documentation. Other items not on this list may be prepaid, but should meet the same criteria stated above and also documented and approved by a school administrator. Items not meeting the criteria should be paid only after the goods or services are received.

Accounting Procedures

Performed by

Procedure

School Administration

Makes deposits and submits the supporting Documentation. Cash Receipts Summary And validated bank deposit receipt to the Recording clerk.

Recording Clerk

Compares validated bank deposit receipt to the total amount of cash receipts on the Cash Receipts Summary, bank deposit slip copy and Supporting documentation. Investigates any Discrepancies.

Records bank deposits in check register and records the receipts in the accounting records. (See § 111 Chart of Accounts for sample journal entries).

Files cash receipts summary and supporting documentation by deposit date.

PROCEDURES

Payroll Records

The school office will maintain payroll records for all personnel. Records should provide adequate support for the payroll expenses and Serve as a basis for preparing payroll vouchers and reports. In order to Provide support and information for preparing payroll documents, individual Employee files will include at least the following documents.

Employment Contract – For contract employees, an employment contract Documents agreed-upon terms of employment such as salary, benefits, and Duration of employment. The employment contract will include agreements Will include agreements for extra pay received for performing additional Duties (e.g. chairing a department, or coaching), and indicate whether the Annual salary is to be prorated or paid during the actual months worked. If the salary is prorated, the contract will specify whether the salary is due at the end of the school attendance year is paid in a lump sum or paid within two months after the end of the fiscal year, at the employees option.

Personnel/Payroll Action Form – For employees not on a contract, a personnel/payroll action (Timecards) will be prepared and retained to document the terms of employment. The personnel/payroll action form serves the same purpose as the contract does but does not bind such employees to a specific length of service and special contract terms.

Arizona Department of Public Service – Each Employee employed by employer must have a current Fingerprint Clearance card and must provide employer with a copy to retain on file as part of their employee records/documents.

Procedures by School Clerk

Receives cash, checks, warrants, and supporting documentation: counts and inspects such cash receipts for correct amounts, payees, and endorsements; and restrictively endorses checks and warrants. Prepares a two part pre-numbered cash receipt form for the amount received. Issue the original to the payer, attaches copy 1 to the supporting documentation, and retains in a numeric file. Records the date of receipt on supporting documentation.

Reviews supporting documentation for mathematical accuracy and completeness and reconciles it to accompany receipts. If cash receipts do not agree with supporting documentation, resolves the difference.

Documents review on the supporting documentation and initials.

Places cash receipts in a cash register/bank bag, safe, or locked drawer until further processing. Retrieves cash receipts and prepares the Cash Receipt Summary (See V1-F-4) to reconcile the amount of cash receipts to the cash receipt forms. Investigates any differences. Prepares bank deposit slip in a duplicate and files the deposit slip copy. Submits supporting documentation, Cash Receipts Summary, and the original deposit slip to a school administrator.

School Administrator

Counts the cash receipts and reviews the supporting documentation, cash receipts summary, and deposit slip. Indicates review on the cash receipts summary.

Procedures – Performed by

Staff

Prepares a two part purchase requisition (V1-G-12), which should be signed and dated by the preparer and the individual authorized to approve the requisition.

Forwards original requisition to the business office and retains a copy on file.

School Clerk

Verifies that the items are in central supply, forwards the requisition to central supply for processing. The procedures in §V1-D, supplies inventory, are then followed by central supply.

Verifies that sufficient budget balance is available to make disbursements.

Signs and dates the requisition, or returns it to the requisitioning department if sufficient budget is not available.

Initiate's bidding procedures required by State Board of Education Rules R7-2-1001 et seq. if the amount of the purchase order exceeds the dollar limits requiring formal bidding procedures (see V1-G-1).

Selects a vendor in accordance with the guidelines for competitive purchasing below the dollar limits required for sealed bids (if available) if the purchase does not require formal bidding procedures (see V1-G-7).

Recertifies budget balance if the actual cost exceeds the estimated cost recorded on the requisition.

Prepares a purchase order (V1-G-13 and 14) the school should issue purchase orders in sequential order and numerally account for them (as in accounting program). Those imitated but not issued should be voided to prevent reuse and retained in the numeric purchase order file. Purchase orders should

be signed by and administrator authorized by the governing board.

Distributes the purchase order as follows:

- a. Original – Vendor
- b. Copy in vendor file – alphabetical with the requisition attached
- c. Held in numeric file
- d. Copy of receiving report – quantities blocked out.

Receiving/Requisitioning Department

Receives a copy of the purchase order and performs the following steps when goods are delivered.

- a. Inspects the goods for visible damage in the presence of the carrier. Damaged goods should not be accepted.
- b. Counts, weighs, or measures the goods, as applicable to determine the quantity received.
- c. Writes on the packing slip indicating the date received, quantity received, condition of goods and signature of employee receiving the goods (V1-G-14). If a copy of the purchase order is used as a receiving report the quantity ordered should have been blocked out and the quantity received should be recorded next to the description of each item.
- d. Delivers goods to the requisitioned and secures proof of delivery by requiring the recipient to initial and date the receiving report. Submits the completed receiving report to the school office with shipping documents such as bills of lading or freight bills attached.
- e. Receiving reports should also be prepared and retained for purchase services, and construction projects for verification of performance and completion. Such receiving reports should be prepared by the

School Clerk

school employee responsible for procuring the services or managing the project.

Compares the receiving report with a copy of the purchase order and requisition on file. Notes on the purchase order items satisfactory received and clearly indicates status of the purchase order (complete, partial shipment, etc.)

Attaches receiving report with shipping documents to a copy of the purchase order and requisition and files alphabetically in the vendor file until receipt has been received via invoice.

Receives vendor invoice and records date of receipt on invoice.

Reviews vendors invoice for mathematical accuracy indicating evidence of such review of invoice.

Compares terms quantities and prices on the purchase order vendors invoice requisition and receiving report. Differences or open credit memos should be resolved before payment is made. If a partial shipment was received the vendor should be paid for only goods received.

Calculates cash discount, if applicable.

Attaches the invoice to a copy of the purchase order, requisition, receiving report, and shipping documents.

Prepares a disbursement voucher (if applicable) which consist of a voucher cover sheet and voucher supplement..

Classifies disbursements as prescribed by the chart of accounts § 111.

Verifies that sufficient cash balance is available in the applicable bank account to make the disbursements.

Forwards vouch and supporting documentation to the recording clerk.

Verifies that the voucher cover sheet is supported by and agrees to the voucher supplement (if applicable).. Total voucher supplement disbursements by project code and or bank account and compares these totals to the voucher cover sheet to ensure that all totals agree.

Submits the voucher to the school administrator.

Reviews the voucher and signs the voucher to indicate approval.

Submits the voucher to the governing board for approval (this step may be done monthly if the governing board delegates approval authority to the school administrator).

Receives approved voucher from the governing board and records the disbursement using the account codes indicated on the voucher.

Submits voucher and supporting documentation to the school clerk.

Prepares checks, updates the check register, and submits checks vouchers and supporting documentation to the school administrator and authorized cosigner.

School Administrator and Authorized Cosigner

Compares checks to vouchers and supporting documentation to ensure that payee and amount agree, and signs checks.

Submits check, vouchers and supporting documentation to the recording clerk.

The School Clerk

Compares the checks to the check register to ensure the following agree:

- a. Check Number**
- b. Payee**
- c. Amount**

Investigates any differences. Initials and dates the voucher (if applicable) to evidence of review.

For each check, cancels vendors invoice by stamping paid and recording voucher and check numbers on the invoice. (unless accounting system does this task for you). Files voucher by voucher number, and mails checks to vendor.

Blanket Purchase Orders

Blanket Purchase Orders may be used for items that are purchased on a recurring basis from the same vendor within a specific time frame. Examples of such purchases include bulk purchase or food, gasoline, or dairy products. Preparing, approving, and processing blanket purchase orders should follow the same procedures and are subject to the same internal control as standard purchase orders. Blanket purchase orders should state a specific period of time the purchase order is in effect and the specific dollar amount. Invoice amounts paid against the blanket purchase order should be deducted from the total limit to determine the unspent balance remaining.

Prepaid Expenses

Prepaid expenses result from disbursements made prior to receipt of goods and services. Prepayments should be made only if prepayment is normally required to procure the item or the item must be prepaid to receive a discounted price. The following list is not necessarily all inclusive and other items may be prepaid.

- 1. Insurance premiums**
- 2. Workers Compensation premiums**
- 3. Deposits or down payments on Construction projects etc.**
- 4. Visa or MasterCard's to keep balances open**
- 5. Conferences or travel because of conferences or trainings**

Payroll Calendar Year End

A form W2 (Wage and Tax Statement) should be prepared by schools for their employees and distributed by January 31st. Those schools that file more than 250 information returns must report to the Social Security Administration on magnetic media. Schools using magnetic media must also file a form 6560 with the Social Security Administration and the Arizona Department of Revenue.

Schools not filing magnetic media must file a for W-3 (transmittal of Wages and Tax Statements) along with copies of the W-2's with the Social Security Administration by the last day in February of the following calendar year. Additionally, schools must file an A1-R along with the copies of the W-2's or magnetic media with the Arizona Department of Revenue by February 28th of the following calendar year.

In either case schools must distribute three copies of Form W-2 to each employee. In addition, the school must retain one copy of each W-2 form.

A form 1099-MISC should be prepared by schools to report payments of \$ 600.00 or more to reportable payees (if applicable).

Fiscal Year End

The school will establish procedures to ensure that payroll and payroll related expenses are recorded in the correct fiscal year. If the normal payroll cycle does not end on June 30th the schools should make adjusting entry to include the amount accrued payroll and payroll related expenses (i.e. earned but not paid) in the correct year.. The adjustment should also include the balance of contract payments due at June 30th.

Bank Accounts

The bank accounts described below may be interest bearing, and at the end of each fiscal year, all interest earned should be remitted to the general bank account of the school.

Federal Insurance Contributions Act

The Federal Insurance Contributions Act provides for a federal system of old-age, survivors, disability, and hospital insurance. The old-age, survivors and disability, insurance portion is financed by the social security tax. The hospital insurance portion is financed by the Medicare tax.

In accordance with A. R.S. The school will submit for approval by the Arizona State Retirement System Board a plan for extending the benefits of Title II of the Social Security Act. All employees who are members of the Arizona State Retirement System must be covered by such an agreement. The school will withhold social security taxes from the salaries and wages of employees who are covered by such agreement or who are not members of the school retirement system. The school will withhold Medicare taxes from the salaries and wages paid to all employees hired after March 31st 1986. In addition to the withholdings, schools must contribute and equal amount.

Schools must follow a direct deposit schedule that conforms with the frequency required by the federal Insurance Contribution act. Schools must also file the appropriate returns and forms with the IRS, and deposit the taxes through the federal tax system.

Earned Income Credit (EIC)

An employee who is eligible for EIC and has a qualifying child has the option of receiving EIC payments in advance during the year. In order to receive the advance payments, the eligible employee must file a new for W-5 with the school each year. Eligible employees who do not file a form W-5 will not receive advanced payments but can still get the benefit of the EIC on their federal tax returns.

The school will pay advance EIC payments from the total federal payroll taxes, including payroll income tax, social security, and Medicare withholdings, and the schools share of social security and Medicare taxes. Schools must retain records of advance EIC payments for four (4) years.

Employee's Federal & State Withholding Allowances Certificates (W-4 and A-4 forms. The school will prepare these forms and all employees should sign them before the first salary or wage payment is made. If an employee has not submitted a W-4 form before the end of the first payroll period, federal income tax should be withheld at the single rate with no withholding allowances. If a completed A-4 form has not been submitted by an employee, state income tax should be withheld at 20% for those earning \$15,000.00 or more a year and 10% for those earning less that \$ 15,000.00 a year.

State withholding rates are .08, 1.8, 2.7, 3.6, 4.2 and 5.1% of the federal withholding rate for those employees earning \$ 15,000.00 or more a year. It is the employees option on what they chose to withhold. The W-4 and A-4 forms remain on file and in effect until new forms are submitted by employee.

Voluntary Deduction Authorizations

Voluntary deductions may be withheld at an employee's request for items such as credit union deposits or additional insurance. A voluntary deduction authorization form will be retained in the employee's payroll file to support each voluntary deduction and remain in effect until a new one is prepared or written request canceling the deduction is received (unless employee is terminated in that case employer may terminate the deduction).

Pay or Position Change Notices

Pay or position changes should be documented. Proposed pay or position change documentation will provide for approval by an authorized official in the appropriate department for initiation or the new salary or position. Terminations will also be documented in the employee files. Termination forms should provide space to document the reason for termination.

Arizona State Retirement Application

Charter Schools may participate in the state retirement plans. Schools must have an agreement with the State covering their employees under the federal old-age, survivors, and disability insurance (social security) before employees are eligible for membership in the State Retirement Plan. Further, employees are included in the Plan only if the school has executed a supplemental retirement plan with the State.

The school will withhold state retirement from the salaries of employees who work at least 20 weeks in a fiscal year and at least 20 or more hours per week. The school will also contribute to the State Retirement System Board an amount equal to the total amount withheld from the employee's salaries and wages for payments to the State Retirement Plan. The school will deduct state retirement from employee's salaries and wages before computing federal and state income tax withholding deductions.

A.R.S. § 15-512.D Certification Form – School employees described in A.R.S. § 15-512.A must be fingerprinted and submit a form indicating whether they are awaiting trial on, have ever been convicted of, or have ever admitted to committing certain criminal offenses (A.R.S. § 15-183.C.4). The form provided on page VI-H-10 or a similar form that includes all information required by A.R.S. § 15-512.D must be used and should be retained on file for as long as the employee remains employed by the school and for three years after termination of employment. The school may release information obtained as a result of the fingerprint check referred to above only with consent of the person who was subject to the fingerprint check.

Leave Summaries – The leave summaries, which is used to record the accrual of vacation, sick leave, and compensatory time earned or used for each employee, will be updated at the end of each pay period.

Payroll Processing

The school will prepare written documentation of changes in payroll such as employment, terminations, and rate changes.

Attendance records such as individuals time sheets (see exhibit on V1-H-11) or clock cards should be prepared for each hourly employee for each pay period, be signed by the employee, approved by the employee's supervisor, and retained to support the payroll. Attendance records for such employees should document regular and overtime hours worked, vacation, sick leave, leave without pay, dock pay for time taken above the allotted, and compensatory time taken or earned during the pay period. Leave records for certified employees may be completed on an exception basis for overtime hours worked, vacation time taken, sick leave etc. The attendance and leave records should be used by the payroll department to update vacation, sick, and compensatory leave schedules. Supervisors should approve overtime hours in advance.

The prepayroll register (or prior period payroll listing) should be updated from attendance records, pay or position change notices, and withholding and voluntary deduction authorization forms. The register will be reviewed for reasonableness, and exceptions noted on a listing of exceptions, the completed prepayroll register, and a listing of exceptions if prepared, be reviewed and approved by a supervisor.

The payroll register will be prepared from the prepayroll register (if applicable) and will include the period covered, employees names, account numbers charged for payroll, wage or salary rates (regular and overtime), hours worked (regular and overtime), gross pay, federal withholding taxes, state withholding taxes, social security, Medicare, retirement authorized voluntary deductions and net pay. The payroll register will also show totals for gross pay, net pay, and mandatory and voluntary deductions for all employees for the pay period, and for the year-to-date.



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INTRODUCTION

The sections in this topic of SAAM are frequently collectively referred to as the "State Travel Policy" and they serve as the directives for both employees and non-employees when traveling on State business.

State Travel Policy exists not merely to provide guidance, but to ensure, to the extent possible:

- Compliance with the Arizona Constitution, the Arizona Revised Statutes, the Arizona Administrative Code and the U.S. Internal Revenue Code is maintained.
- Travel expenses incurred while conducting business for the State of Arizona are authorized, necessary, reasonable, and appropriate.
- Appropriate, safe and reasonable accommodations are provided for those traveling on State business.

Non-compliance with State Travel Policy or the improper claim for travel expenses may result in appropriate disciplinary action.

POLICIES

1. Any expenditures, including those related to travel, must be:
 - 1.1. For a valid public purpose.
 - 1.2. Required to conduct the business of the State.
 - 1.3. In compliance with applicable sections of the Arizona Constitution, the Arizona Revised Statutes, the Arizona Administrative Code, the U.S. Code of Federal Regulations (including but not limited to the Internal Revenue Code), and the more stringent of the terms of any grant of which the State is recipient or the limits imposed by any section of the SAAM (including but not limited to State Travel Policy).
 - 1.4. Such that they result in value to the State in excess of their cost.
2. Agency management and all those traveling on State business should be familiar with and have an understanding of State Travel Policy; all travel arrangements and practices should reflect that familiarity and understanding.

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3. Travel arrangements should be fair and equitable, but planned for the convenience of the State using the most reasonable and economic means. In general, the practical travel alternative most beneficial and cost effective for the State should be chosen, with a focus on the total cost of the trip rather than any specific component of that cost.
4. Travelers and agencies are required to do travel planning for individuals and group travel and for meetings and conferences that involve travel by participants. In general, the best travel alternative is that which results in the most favorable cost-benefit result for the State and involves a traveler spending the least, as may be reasonable under the circumstances, time away from his duty post. Travel planning should begin far enough in advance to limit:
 - 4.1. The number of overnight stays.
 - 4.2. Meal, lodging and transportation expenses.
 - 4.3. Time in travel status (cost vs. benefit).
 - 4.4. The number of travelers necessary to meet the needs of the State.
 - 4.5. Use of private versus public facilities.
5. Unless a specific exception exists (as it does in the cases of meals or local transportation), for an employee to qualify for reimbursement, receipts for travel-related expenditures are to be collected by either the traveler or the agency arranging the travel; if collected by the traveler, the receipts are to be submitted to the agency responsible for reimbursing such expenditures.
 - 5.1. Among those expenditures that do not require a receipt for reimbursement are:
 - 5.1.1. Meals, unless required by the agency.
 - 5.1.2. Incidentals with a cost of less than five dollars (\$5). Incidentals include, but are not limited to such things as tips or other charges for baggage handling and tips for chamber maids. It is to be noted that expenditures for incidentals reduce the amount of reimbursement available for meals (this is not prorated by meal, i.e., if a traveler is entitled to only one (1) meal for the day, the amount of the incidental expense reimbursed will reduce the amount available reimbursement for that meal).
 - 5.1.3. Certain expenses incurred and no receipt is available, such as parking meter charges.
 - 5.1.4. Local transportation.
 - 5.2. For those who are not employees of the State, all reimbursements require receipts.

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6. Unless specifically elsewhere prohibited, an agency head may delegate his authority related to travel to others in his agency.
 - 6.1. This is a delegation of authority, but not of responsibility for the actions taken by the delegate.
 - 6.2. All such delegations must be in writing and retained by the agency in according with the directives issued by LAPR.
7. Agency travel-related policies and procedures.
 - 7.1. Agency management may draft travel-related policies and procedures, if necessary, to cover circumstances specific to their agencies such as:
 - 7.1.1. Restrictions or limitations on travel.
 - 7.1.2. Non-standard work shifts.
 - 7.1.3. Use of State equipment, such as fleet vehicles.
 - 7.1.4. Unique approval requirements.
 - 7.1.5. Charging travel expenses to various funding sources.
 - 7.1.6. Travel request and travel claim approval and validation processes.
 - 7.2. Agency management must draft travel-related policies and procedures that address:
 - 7.2.1. Definitions with respect to in-state and out-of-state destinations. At the discretion of agency management, out-of-state travel to U.S. states within one hundred (100) miles of their border with Arizona may be deemed to be in-state travel when determining reimbursement limits for lodging, meals and incidentals.
 - 7.2.1.1. Travel on official out-of-state business that is within one hundred (100) miles of the Arizona border will be considered in-state, unless designated as out-of-state travel by agency management.
 - 7.2.1.2. Agency management, in drafting agency travel-related policies, makes this determination based upon considerations, such as the mission of the agency, the frequency of employee travel beyond the Arizona border, but within the hundred-mile (100-mile) zone discussed herein, the need to take State-owned vehicles and other State-owned equipment to neighboring states, the pre-authorization of travel, , etc.
 - 7.2.1.3. When out-of-state travel within one hundred (100) miles of the Arizona border is to be considered out-of-state travel, all provisions of State Travel Policy relating

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to out-of-state travel—such as those that might relate to prior authorization, use of State equipment, use of personally owned vehicles for out-of-state business, etc.—apply.

- 7.2.2. The circumstances under which a traveler may be reimbursed for charges or fees relating to cancellations, re-bookings, early or late arrival or departure charges, or charges related to changes involving reservations or travel arrangements. Agencies, however, should not reimburse a traveler for such charges when incurred for personal reasons or are considered avoidable.
- 7.3. Agency travel-related policies:
- 7.3.1. Must in all respects comply with Federal and State laws, rules and policies.
- 7.3.2. Must be consistent with and complement State Travel Policy.
- 7.3.3. May be more restrictive, but not more liberal, than State Travel Policy.
- 7.3.4. Must be applied equitably to all agency personnel.
- 7.3.5. Must not deprive or attempt to deprive employees of any benefits, reimbursements or compensation to which they might otherwise be entitled by law.
8. Reimbursements are to be made only for qualified travel expenditures necessary to conduct the business of the State.
9. Consideration should be given to alternatives to travel to accomplish State business more efficiently and economically. Such alternatives include, but are not limited to, conference calls and web conferencing. Travel should be authorized only when there is a need for personal contact, intervention or observation.
10. Except as provided immediately below, reimbursement of travel expenses are limited to those actually incurred while traveling on State business.
- 10.1. The State motor vehicle mileage rate may be used instead of actual expenses when operating a privately owned vehicle on State business. The amount claimed, however, is to be based upon the lesser of actual miles driven or miles that would have been driven had the most economical route been chosen.
- 10.2. The State personal aircraft rate may be used instead of actual expenses when operating a privately owned aircraft on State business. The amount claimed, however, is to be based upon the lesser of actual miles flown or miles that would have been flown had the most economical route been chosen.
11. In the following cases, reimbursement is subject to the limits published in SAAM 5095:

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- 11.1. Mileage.
- 11.2. Lodging.
- 11.3. Meals and incidentals.
- 12. All documentation related to travel for the State must be maintained in accordance with the Records Retention Schedules published by LAPR. Such documentation includes, but is not limited to, travel requests, travel claims, receipts and conference brochures.
- 13. Employee travel is conducted and reimbursed in accordance with State Travel Policy, regardless of the funding source that pays for the travel.
 - 13.1. Even when the travel is financed using monies that were provided by the Federal Government or some other organization, individual, program, or funding source, employee reimbursements for meals and lodging are limited to State rates.
 - 13.2. With respect to cost recovery from a Federal program or grant, travel costs are considered reasonable when they do not exceed State Travel Policy.
 - 13.3. Travel reimbursements to employees for costs in excess of those set forth in State Travel Policy may, when applicable, jeopardize an agency's or the State's ability to recover such costs from the Federal Government.
- 14. Agencies may, but are not required to, use and pay for the services of a commercial travel agency. Agency management, however, must consider the cost associated with the use of a travel agency vs. the benefits, other than mere convenience, of such arrangements.
 - 14.1. The costs associated with the use of a travel agency include, but may not be limited to:
 - 14.1.1. The fee paid to the travel agency for making travel arrangements.
 - 14.1.2. The opportunity cost incurred when the travel agency does not book the most economical travel alternative available.
 - 14.1.3. The cost of additional time spent when a travel agency makes travel arrangements that do not comply with State Travel Policy. Such time might include that required to request a policy exception.
 - 14.2. The benefits that might be associated with the use of a travel agency include:
 - 14.2.1. Potentially lower fares or lodging rates.
 - 14.2.2. Possibly better travel reporting.

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- 14.2.3. Feasibly a reduction of staff time required to research and book travel.
15. When operating a motor vehicle on State business within the U.S., whether that vehicle is a State vehicle, rented or privately owned, the driver must possess:
- 15.1. A valid driver's license; a driver's manager or supervisor is responsible for verifying this before authorizing travel and, if applicable, before approving a travel reimbursement related to the operation of a motor vehicle.
- 15.2. Mandatory insurance coverage as required by applicable State laws and regulations, primarily issued by ADOT.
- 15.2.1. Risk Management should be consulted with respect to the operation of a vehicle on State business outside of the U.S.
16. When operating an aircraft on State business, whether that aircraft is a State aircraft, rented or privately owned, the pilot must possess:
- 16.1. A valid pilot's license; a pilot's manager or supervisor is responsible for verifying this before authorizing travel and, if applicable, before approving a travel reimbursement related to the operation of an aircraft.
- 16.2. Insurance coverage as required by the Federal Aviation Administration or other authority with jurisdiction.
17. The most reasonable and customary mode of transportation and the most commonly traveled route should generally be selected.
18. Attendance at out-of-state conventions or meetings should only be approved when such occurrences are directly related to the job. Travel should be limited to personnel whose attendance, as determined by agency management, is essential to State business.
19. Reimbursements are limited to the expenses incurred or that would have been incurred by using the most efficient route. The most efficient route is that which is the most direct, most traveled or most economical, taking all circumstances into consideration. (It may, for example, be less direct to take an expressway than surface streets. However, travel by expressway would be generally the most traveled route and, given the additional cost of employee time to travel by surface streets, the most economical.)
20. Avoidable travel time in excess of that which is necessary to conduct State business, such as that used to conduct personal affairs, incurred during normally scheduled work hours is to be charged to annual leave. Non-avoidable travel time, such as delays imposed by weather, mechanical failures, etc., experienced during normally scheduled work hours is to be charged to regular pay.

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21. Additional travel expenses incurred by taking an uneconomical route, are not in the best interest of the State or are for personal business will not be reimbursed.
22. Travel expenses paid directly by the State to a travel agency, hotel, restaurant, rental car company, etc., on an employee's behalf are subject to applicable State Travel Policy reimbursement limitations. Claims for this manner of payment must reference the traveler(s) to whom they apply. When they would be otherwise required, as for lodging, car rentals, etc., itemized receipts are required for direct payment of these expenses.
23. The agency head or his delegate must approve all out-of-state travel in advance. The request for out-of-state travel should be submitted to allow ample time to take advantage of the availability of discounted airfares, conference lodging, a traveler's special needs, etc. A copy of the approved out-of-state travel request must accompany the out-of-state travel claim.
24. Agency managers and supervisors may, as directed by their respective agency heads:
 - 24.1. Authorize in-state and out-of-state travel that conforms (i.e., the travel arrangements have no exceptions) to State Travel Policy.
 - 24.2. Determine that out-of-state travel to U.S. states within one hundred (100) miles of the Arizona border to be in-state travel.



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INTRODUCTION

The cost of meals purchased and consumed while traveling on State business may, up to the limits approved by the JLBC, be reimbursed. The reimbursement rates are not designed to cover the entire cost of meals consumed on the road, but to cover the difference between the cost of a meal of which the traveler might otherwise partake when not traveling for the State and the cost of a meal acquired while traveling for the State.

POLICIES

1. Reimbursement rates for meals are proposed by the ADOA Director, reviewed and approved by the JLBC, and published by the ADOA.
2. Meals, the cost of which are less than or equal to the published limits, may be reimbursed when purchased and consumed in conjunction with official State business.
3. To be eligible for reimbursement, the meal must, except as otherwise provided, be consumed, though not necessarily purchased, while the traveler is in travel status.
 - 3.1. One may purchase a meal before entering travel status that will be consumed while in travel status.
 - 3.2. When one is staying at a commercial lodging facility in connection with an authorized overnight stay or overnight stays involving fewer than thirty (30) days, one may purchase groceries rather than dining out, subject to the following restrictions:
 - 3.2.1 The reimbursement for the purchase of groceries is limited by the same daily geographical maximum reimbursement amount and the policies for all meals including the reduced limits for the day of departure and the day of return.
 - 3.2.2 The reimbursement is to be reduced by any meals, whether or not consumed, provided to the traveler.
 - 3.2.3 All other limitations, such as date of departure and return reductions of reimbursement and the six (6) hour travel status requirement, apply.

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- 3.3. The purchase of groceries or meals to be consumed before or after travel or by those other than the traveler or those in the custody of the state is not reimbursable.
4. To qualify for a meal reimbursement for any day, the traveler must be in travel status six (6) or more hours. This requirement applies to:
 - 4.1. Any meal and to any day of travel.
 - 4.2. Travel involving or not involving an overnight stay.
 - 4.3. In case of travel involving an overnight stay, to both the day of departure and the day of return.
5. To be in travel status, a traveler must be more than fifty (50) miles from both the traveler's residence and his regular duty post.
6. Meals that are reimbursed to a traveler when the travel does not involve an overnight stay or a substantial period of sleep or rest are taxable income to the traveler.
7. Reimbursement for meals may not exceed the lesser of the actual amount paid for the meal and incidentals or maximum meal and incidentals reimbursement rate.
8. The meal reimbursement rate includes the cost of the meal, tax, tip, delivery service, and the cost of transportation between places of lodging or business and places where meals are acquired or consumed, if meals cannot be obtained within a reasonable distance from one's lodging or temporary duty post.

Example: An employee's travel for the State involves an overnight stay. The traveler's daily meal and incidental reimbursement limitation for a given location is \$64. The traveler decides to take a cab from his hotel to a restaurant; the round-trip cab fare between the restaurant and the hotel is \$10. The result is that only \$54 of his meal and incidental rate remains after subtracting the cab fare. So, if the traveler spent \$60 for the day on meals and \$10 for cab fares to and from the restaurant, he could be reimbursed only \$64 for the day and he would be out-of-pocket for \$6 $(\$60 + \$10) - (\$64)$.

Additionally, if a traveler utilizes a delivery service such as Grubhub, Uber Eats, DoorDash, etc. to obtain a delivered meal, the entire cost of the meal including delivery is counted towards the traveler's daily meal and incidental reimbursement limitation. If this same traveler had all three meals delivered for the day, the total limit for meals and delivery could not exceed the reimbursement limitation of \$64 for the day. Any excess above the limitation would be out-of-pocket for the traveler.

9. Although they frequently do so, the amounts allowed for meals and incidentals are not intended to cover the entire cost of meals consumed while in travel status. The amounts, however, are more than sufficient to compensate the traveler for the estimated difference between the cost of a reasonable meal taken on the road and

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the cost of a meal prepared at home or purchased at a cafeteria operating in a State facility.

10. If the traveler does not purchase a meal or the cost of the meal is imbedded in some other cost, the traveler is not entitled to reimbursement for that meal. This restriction applies to all meal reimbursements—full day, partial day, overnight or not, days of travel or return, etc. The amount by which the meal reimbursement is limited is that amount, appropriate to the meal served, for the reimbursement limitation in effect for that day. Situations to which this applies include, but are not limited to meals provided:
 - 10.1. At conferences that are free of cost beyond the registration fee.
 - 10.2. On airplanes and other common carries and are included in the fare.
 - 10.3. To the traveler, without charge, at a State institution.
 - 10.4. On a complimentary basis by the facility at which one is lodged.
 - 10.5. At meetings where a meal is served by those hosting the meeting.
11. Meal reimbursements and the maximum meal and incidentals reimbursement rates are not per diem allowances.
12. Reimbursement rates, rate tables by meal and location are found in SAAM 5095.
13. A single location's reimbursement rate is used for an entire day even if the employee travels to more than one location in the day.
14. For travel involving overnight stays, the following policies shall apply:
 - 14.1. On the day of original departure, the traveler shall, limited by both the twenty-four (24) hour and six (6) hour constraints, be entitled to a reimbursement for actual amounts spent up to seventy-five percent (75%) of the Full-Day Meal Reimbursement Rate of the trip's destination location (i.e., not the place from which the employee originally departed at the beginning of the trip, but where the employee will spend the night).
 - 14.2. On the day of return, the traveler shall, limited by both the twenty-four (24) and six (6) hour constraints, be entitled to a reimbursement for the actual amounts spent up to seventy-five percent (75%) of the Full-Day Meal Reimbursement Rate of the location in which the traveler last stayed the night, prior to returning to his duty post and/or home.
 - 14.3. The seventy-five percent (75%) limitation on the days of departure and return is further constrained by the fact that a traveler must be in travel status for six (6) or more contiguous hours before being entitled to any reimbursement for meals and, moreover, the potential reimbursement is further reduced by the amount, at one

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hundred percent (100%) of that meal's allowance, of any meals provided to the traveler, whether the traveler accepts or consumes the offered meal.

- 14.3.1. When the overnight travel involves an overnight stay of a single night (i.e., the departure occurs on one day and the return on the very next day), A traveler must not claim reimbursement for more than the Full-Day Reimbursement Rate in any period of twenty-four (24) or fewer consecutive hours.

Example: A traveler drives from Phoenix to an evening business meeting in Tucson. His trip began at 5:00 pm, the end of his normal workday in Phoenix. He arrives in Tucson at 6:30 pm. His meeting runs from 7:00 pm until 9:00 pm. He spends the evening in a hotel in Tucson. The next morning, he leaves the hotel in Tucson at 6:30 am to return to work in Phoenix. He arrives at his office in Phoenix at 8:00 am.

His overnight travel involves a single night. The time he spends in travel status over both days of travel is no more than approximately fifteen hours (5:00 pm until midnight on the first day and from midnight until 8:00 am on the second day, less the time it took to travel fifty (50) miles on the outbound trip and a similar amount of time on the return). The total reimbursement he may claim for the entire trip is limited to a full day's meal limit for the higher of the rates that might otherwise apply to the day of departure and the day of return.

- 14.4. On days other than those of return or original departure, that is to say those days between the original departure and the return, on which the traveler is in travel status for the entire day, the meal allowance is based upon the location of that day's destination.
- 14.4.1. A traveler who is provided a meal on the day of departure or return at no additional cost to himself must reduce the reimbursement claimed by the amount appropriate to the meal provided. It is possible that this disqualifies the traveler from any meal reimbursement at all from the State.

Example: A traveler flies from Phoenix to Chicago for a two-day—Tuesday and Wednesday—conference. He leaves for the conference on Monday and returns to Phoenix on Thursday. Assuming the then in effect Full-Day meal and incidentals reimbursement limit for Chicago is \$64, on Monday, he will be entitled to be reimbursed up to 75% of Chicago's Full-Day meal and incidental reimbursement, or \$48.00 ($\$64.00 \times .75 = \48.00). On Tuesday and Wednesday, he may be reimbursed up to 100% of Chicago's Full-Day meal and incidental reimbursement or \$64. On Thursday, he will be entitled to up to 75% of Chicago's Full-Day meal and incidental reimbursement, or \$48.00 ($\$64.00 \times .75 = \48.00). These amounts would be reduced by meals he was provided by others. So, if upon arrival in Chicago, the meeting's host bought him dinner, he would have to deduct \$35.00, the Chicago dinner reimbursement limitation (assuming the then current Chicago reimbursement were \$64.00 and the dinner amount \$35.00), from the amount, he would be allowed to claim. (See SAAM 5095, Paragraph 6, for Full-Day Reimbursement Rates and Rates per Meal.)

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14.5. For travel days involving overnight stays that are neither the day of original departure nor the day of return, a traveler may be reimbursed up to the Full-Day Meal Reimbursement Rates for the applicable date and location, subject to the following:

14.5.1. The Full-Day Reimbursement Rates are limits for actual meal expenses incurred, not a fixed per diem or allowance amount.

14.5.2. A reimbursement of actual expenses incurred by the traveler up to the applicable Full-Day Reimbursement Rate may be claimed, no matter the meal or meals upon which the amounts are spent.

Example: The Full-Day Reimbursement Rate for a given location is \$59. The traveler qualifies for an entire day's reimbursement, up to \$59, whether that amount was spent on three meals, two meals or on an expensive dinner. It must be borne in mind, however, that this is a reimbursement and the amount or amounts claimed must actually have been spent for meals by the traveler. Note that the reimbursement limit must be reduced by any meals provided to the traveler.

14.5.3. The Full-Day Reimbursement Rate shall be reduced by the amount related to any meal provided at an event or otherwise paid for by some entity—including organizations, family, friends, etc.—other than the traveler.

Example: A traveler attends a conference at which lunch is served, without additional cost to the traveler, in a location that has a Full-Day Reimbursement Rate of \$59. The amount of meal reimbursement the traveler may claim is up to \$44 (i.e., the \$59 full-day rate minus the \$15 of the full-day rate that is applicable to lunch for that day's reimbursement limitation). Note that the reimbursement claimed is to be additionally limited to the amount the traveler actually spends on meals.

14.6. A traveler may not claim reimbursement for more than the Full-Day Reimbursement Rate in any single calendar day or in any period of twenty-four (24) consecutive hours. This limitation is of particular significance for overnight trips when the traveler departs one day and returns the next.

14.7. With respect to trips involving overnight travel, when the travel itself begins on one day and ends on another (e.g., the flight or the train trip begins at 11 p.m. on one day and ends at 1 a.m. the following day):

14.7.1. On the original day of departure, a meal reimbursement is allowed only if one is in travel status for six (6) or more hours. The meal reimbursement is additionally subject to the seventy-five percent (75%) meal reimbursement limitation. The original day of arrival, if it involves an overnight stay, qualifies for up to one-hundred percent (100%) of the meal reimbursement (reduced by any meals provided). If this day is also the day of return, it, too, is subject to the seventy-five percent (75%) limitation and the requirement of six (6) or more hours in travel status.

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14.7.2. On the return trip, a meal reimbursement is allowed only if one is in travel status for six (6) or more hours on the day of return (measured from the beginning of the day at the location from which the traveler returns), in which case the traveler may be reimbursed up to the amount of the seventy-five percent (75%) of the full day meal reimbursement limit.

15. For travel not involving an overnight stay:

15.1. The amount of the reimbursement for that meal is restricted to the Single Day Meal Reimbursement Limit or the Extended Day Meal Reimbursement Limit, depending upon the amount of time the traveler is in travel status.

15.2. The amounts of the Single Day Meal Reimbursement Limit and the Extended Day Meal Reimbursement Limit are identified as such in SAAM 5095.

15.3. The Single Day Meal Reimbursement Limit and Extended Day Meal Reimbursement Limit apply:

15.3.1. No matter the travel destination, whether in or out of State, as long as the travel does not involve an overnight stay.

15.3.2. No matter the time of day meals may be purchased or consumed.

15.4. The Single Day Meal Reimbursement Limit applies when the traveler has been in travel status six (6) or more but fewer than twelve (12) consecutive hours.

15.5. The Extended Day Meal Reimbursement Limit applies when the traveler has been in travel status twelve (12) or more consecutive hours.

15.6. The Single and Extended Day Meal Reimbursement limits are reduced by any meals provided to the traveler.

16. As stated, an amount representing meals provided the traveler at no cost to himself reduce the otherwise available daily meal reimbursement limits. In applying this policy, it is necessary to determine the amount of reduction, which is related to the time of day at the location where the meal is provided.

16.1. A meal provided:

16.1.1. Between 12:01 a.m. and 10:00 a.m. in the location where provided is deemed to be breakfast and the amount allowed for breakfast for the day is to be deducted.

16.1.2. Between 10:01 a.m. and 2:00 p.m. in the location where provided is deemed to be lunch and the amount allowed for lunch for the day is to be deducted.

16.1.3. Between 2:01 p.m. and 12:00 midnight in the location where provided is deemed to be dinner and the amount allowed for dinner for the day is to be deducted.

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- 16.2. It is possible that the sum of the allowances for meals provided a traveler certain days exceed the daily allowance. This does not result in the allowance being reduced below zero dollars (\$0); it does mean, however, that no allowance for incidentals is available for the day under consideration.
- 16.3. For travel days without overnight travel, use the Single and Extended Day Meal Reimbursement Limits. Use the meal allocations related to the Phoenix Full Day Meal Rate Amount, SAAM 5095, Paragraph 6, to determine and reductions of these limits for meals provided.
17. Incidentals include such things as laundry, hotel cleaner tips, etc.
18. Tips paid in connection with a meal are considered as part of the cost of a meal.
19. Tips paid to a cab, ride-sharing, or shuttle driver are considered as part of the cost of the cab or shuttle.
- 19.1. SAAM 5026 contains a discussion of appropriate and reimbursable tipping in these situations.
- 19.2. If transportation is to obtain a meal, the cost of the transportation and the related tip reduce the amount available for meal reimbursement.
20. Tips that exceed industry standards will not be reimbursed.
- 20.1.1. The industry standard for tips related to a meal served in a restaurant in the U.S. is between fifteen percent (15%) to twenty percent (20%) of the pre-tax bill.
- 20.1.2. The industry standard for tips related to a meal served in a buffet, fast food or carryout establishment is zero percent (0%).
- 20.1.3. Tips paid in connection with meals provided free or as part of the registration cost (such as at conferences) are not to be reimbursed.
21. For days the traveler is actually traveling (i.e., en route) between regular and temporary duty posts or duty posts and his residence, he may, if otherwise qualified, be entitled to be reimbursed for a meal within the constraints of the Single Day Limit or Extended Day Limit, whichever is applicable.
22. Policies related to meals provided at conferences and seminars are contained in SAAM 5040.
23. Meals satisfying special dietary needs will generally be provided by airlines, conferences, etc., if requested. It is the traveler's responsibility to make, on a timely basis, the necessary arrangements for such special needs. If the traveler's request for a meal satisfying a special dietary need is denied, in order to claim a reimbursement for an expenditure related to a meal that otherwise would have been

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provided without cost to the traveler, the traveler must provide a statement that details and certifies:

- 23.1. To whom the request was made.
- 23.2. By whom the request was denied.
- 23.3. The reason given for the denial.
- 23.4. The special dietary needs of the traveler that could not otherwise have been accommodated.
24. To determine the correct rate for meals and incidentals, follow the instructions set forth below.
 - 24.1. For travel within the continental U.S.:
 - 24.1.1. Locate SAAM 5095 "Reimbursement Rates."
 - 24.1.2. Locate the "Meals and Incidentals" column.
 - 24.1.3. If the specific city is listed in the table, use the rate applicable to the city in which the meal is taken.
 - 24.1.4. If the city is not listed but the county in which the city is located is, use the rate applicable to the county in which the meal is taken.
 - 24.1.5. If neither the city nor the county is listed, use the default rate listed at the top of every page of the table.
 - 24.2. For travel outside the continental U.S.:
 - 24.2.1. Go to the GAO Website (<https://gao.az.gov/>) and select Travel Information from the Travel Menu.
 - 24.2.2. Click on the link to Current Alaska, Hawaii and Overseas Rates—Lodging and Meal Index, which will take one to the Defense Travel Management Office (DoD).
 - 24.2.3. Find the rates applicable to the appropriate location and time of year.
 - 24.2.4. To determine the allowable reimbursement rates using the DoD website, the following adjustments and computations must be made:
 - 24.2.4.1. Lodging rates, as posted on the DoD website, apply as a room rate without further modification. To these rates may be added any taxes or other charges imposed by local government jurisdictions.

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24.2.4.2. To determine the reimbursement limitations on meals and incidentals in Alaska, Hawaii and out-of-country locations, add the DoD Local Meal Rate (not the Proportional Meal Rate) to the Local Incidental Rate and subtract ten dollars (\$10) from that sum.

24.2.4.3. The breakdown of partial day meals or subtractions for meals provided in Alaska, Hawaii and out-of-country locations can be done using the following percentages of the full-day limitations:

Breakfast	20%
Lunch	25%
Dinner	55%

25. While receipts for meals and incidentals are not required by State policy, they may be required to be submitted or retained for audit by an agency's travel policy.
26. Reimbursement for the purchase of alcoholic beverages or the taxes or tips related to the purchase of alcoholic beverages is prohibited.
27. Unless an agency and/or its employees are granted specific legal authority to do so, State employees may not be reimbursed for purchasing meals for non-State employees.
28. For meals and incidentals relating to travel periods of more than thirty (30) days, refer to the Long-term Travel Topic of SAAM. (See SAAM 5035.)
29. For conferences, conventions and meetings, refer to the Conferences, Conventions and Meetings Topic of SAAM. (See SAAM 5040.)
30. For travel matters relating to non-State employees, refer to the Non-State Employee Travel Topic of SAAM. (See SAAM 5065.)
31. For matters relating to travel advances, refer to the Travel Advances Topic of SAAM. (See SAAM 5052.)
32. A continental breakfast or similar repast served at a conference or other gathering or provided at a lodging establishment at no cost to the traveler constitutes a meal whether or not it contains protein and no reimbursement for breakfast will be allowed when such meals have been provided.
 - 32.1. To qualify as a continental breakfast, a variety of components should be served so that a meal may be assembled from those components. For example, if the range of comestibles provided includes pastries, yogurt, toast, fruit, cereal and the like, a sufficient selection of edibles is available from which a meal can be constructed.
33. A very light snack—consisting of no more than cookies, pastries, candies, coffee, tea, soft drinks, ice cream and/or similar refreshments—provided by the host of meetings or training events does not constitute a meal.

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- 33.1. A very light snack differs from a meal in that it does not contain a sufficient variety or quantity of edibles from which a meal may be assembled. For example, if only cookies and coffee are served, there is neither the variety nor the volume of comestibles from which a meal can be constructed.

Schools should reimburse employees and board members for mileage at the standard rate established by the Arizona Department of Revenue (DOR) and approved by JLBC. The mileage reimbursement rate for privately owned motor vehicles. The mileage reimbursement should be based on the shortest air route from origin to destination. Landing and parking fees are reimbursable except at the location where the aircraft is normally based.

