



State of Arizona Accounting Manual

Topic 40 Revenues and Receipts

Issued 07/01/15

Section 30 Reimbursement of Appropriated Funds

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INTRODUCTION

An appropriation documents both the purpose for which and the amount of money the Government of the State of Arizona, through its budgeting process, has authorized a budget unit to spend. When a budget unit receives a reimbursement for an expenditure it has made from appropriated funds, it has the effect of increasing the budget unit's spending authority beyond that originally intended. Because of this, statute and policy have established procedures for budget units to communicate with State budgetary and financial officials when such a reimbursement occurs.

This policy is intended to promote efficiency and enhance the abilities of State agencies to comply with Legislative intent. The statute, A.R.S. § 35-142.01, provides flexibility to the directors of budget units to cover unanticipated expenditures not accommodated by existing resources that will be reimbursed by other funding sources.

POLICY & PROCEDURES

1. If monies are appropriated to a budget unit for a specific program or purpose and if such monies are reimbursed in whole or part from any funding source and:
 - 1.1. If this is noted in the appropriation bill, then the budget unit shall, upon receipt of such reimbursement, deposit the monies to the credit of the general fund or the fund from which the appropriation was originally made, or
 - 1.2. If this not noted in the appropriation bill, it may be credited to the account out of which the expenditure was incurred if the director of the budget unit determines:
 - 1.2.1. That the reimbursement within the fiscal year is necessary for operation of the budget unit, and
 - 1.2.2. It was not specifically considered and rejected by the Legislature at the time of appropriating monies to the budget unit.
 - 1.3. Whether the funds should be credited to the general fund or to the fund from which the monies originated depends upon the language of the appropriation and the provisions of governing statute or law. It must be noted that, in most cases, the reimbursement is not intended to increase spending authority.

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2. The director of the budget unit shall notify the JLBC, the OSPB and the State Comptroller in writing of determinations made pursuant to this section. The report should include all of the elements listed below:
 - 2.1. A description of the transaction or event.
 - 2.2. The frequency with which the transaction occurs.
 - 2.3. The total dollar amount of the reimbursement.
 - 2.4. The fund or funds to which the reimbursement will be deposited.
 - 2.5. The source of the reimbursement.
 - 2.6. The reason for the reimbursement.
 - 2.7. A written affirmation that this matter was not specifically considered and rejected by the Legislature at the time of appropriating monies to the budget unit.
 - 2.8. A written explanation of why the transaction meets the requirements of the statute to be treated as a reduction of appropriated expenditures.
3. Only one (1) notification is necessary for recurring reimbursements throughout a fiscal year related to specific transactions or events. There must be, nonetheless, a separate notification for each fiscal year affected.
4. Properly recording reimbursements when they are initially received will help agencies avoid spending more than authorized by appropriation. An agency's expenditures may not exceed appropriated amounts. In accounting for reimbursements, agency management must also assure compliance with the reporting requirements imposed by the provisions of Federal grants.
5. Example.

In the following example, the appropriation bill noted that the reimbursement was to be credited to the general fund or to the fund from which the appropriation had originally been made. It illustrates the types of mistakes that can be made and the way in which they can be avoided.

An agency has qualified for a Federal computer equipment grant of \$200,000. In anticipation of this grant, the Legislature appropriates \$500,000 to the agency from the General Fund to be spent for new computer equipment. The appropriation bill notes that the federal grant monies shall, upon receipt, be returned to the general fund.

The agency spends \$475,000 for the computer equipment and charges the appropriate expenditure account. It then receives its Federal grant and incorrectly reduces expenditures for that line item by \$200,000. At this point, the net year-to-date expenditures for computer equipment would mistakenly appear to be only \$275,000. The agency's

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procurement officer might then erroneously proceed to spend another \$150,000 on computer purchases under the assumption that these expenditures still total less than the appropriation of \$500,000 when, in fact, these additional expenditures exceed the budget by \$125,000.

The agency in this example should not have recorded the reimbursement as a reduction of expenditures; it should have recorded it in the miscellaneous receipts account. The agency, upon discovery of this error, should contact its GAO liaison immediately so that corrective measures can be implemented.

There are, however, circumstances under which a reimbursement can be credited to the account from which the expenditure was made. Assuming the same facts as above except that the anticipated reimbursement was not noted in the appropriation bill:

The reimbursement could have been properly posted as a reduction of an expense and the additional expenditure could have been properly made, provided that:

1. This treatment had not been considered and rejected by the Legislature when the appropriation was made;
2. The agency director had determined that reimbursement within the current fiscal year was necessary for the operation of the budget unit; and
3. At the time of discovering that the reimbursement is necessary for the operation of the agency, the director notifies the JLBC, the OSPB and the State Comptroller of this fact.