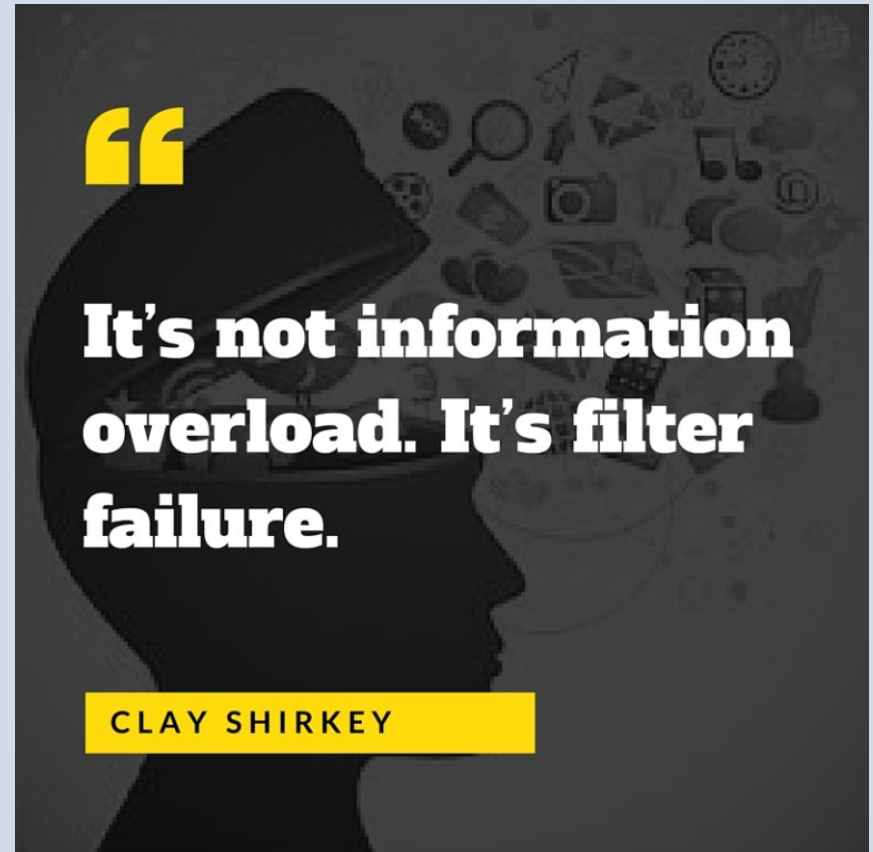


Fiscal Health for a Strong Charter School

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Topics

- Fiscal Culture
 - Financial Health
 - Board Governance
 - Fiscal Management Vs. Accounting
- Budgeting
 - 101
 - Staffing
 - Cash Flow
- Compliance
 - State Public School Fund
 - Fiscal Requirements



Fiscal Health... Why does it matter?

Accountability. Substantial public money is being invested in your school.

Financial health is critical for the school to be able to recruit effective leaders and teachers, and to provide sufficient educational resources— all of which has an impact on student recruitment and retention and student achievement.

Just like any business – the #1 reason charter schools close is due to financial failure.
Between 1998 and 2020, 241 charter schools opened and approx 90% of the 45 schools that closed was due to financial failure

Financial Culture – Financial Health

NC DPI
Annual
Financial
Analysis Red
Flags

Audit Identified Material Weaknesses

Audit Identified Going Concern

Month 1 ADM < 80

Current Ratio < 1

Unrestricted Days Cash < 7 Days

ADM Variance $> 10\%$

Note: These are not goals. These are the metrics that trigger financial sustainability discussions and concerns.

Financial Culture – Financial Health

NC DPI
Annual
Financial
Analysis Red
Flags

In Default

Revenue < Expenditures

Note: These
are not goals.
These are the
metrics that
trigger
financial
sustainability
discussions
and concerns.

Debt to Asset Ratio

Negative Unassigned Government
Funds

Financial Culture – Financial Health and Financial Compliance

SBE policy CHRT-006-U

Financial Culture – Financial Health and Financial Compliance

Financial Culture – Board Governance

Financial Culture – Board Governance

Create a succession plan for board members

Ensure transparency in the finances, budget and donations

- Do you present to your board for review and discussion: the monthly and annual financial reporting packages to include balance sheet, revenues vs. expenditures, budget to actual expenses, cash flow forecasts, student attendance information

Consider requiring board members to be independent

As your CS continues to mature, continue to assess strategies

Financial Culture – Fiscal Management Vs. Bookkeeping

Many charters outsource bookkeeping types of responsibilities:

Financial Culture – Fiscal Management Vs. Accounting

Principles of Sound Financial Management are responsibilities that can not be outsourced:

Financial Culture – Fiscal Management Vs. Bookkeeping

“Good Practice” in Financial Management:

Each Charter School should develop short term and long-term financial plan that support the educational goals of the school:

Operating vs capital

Contingency reserve

Salary plans

Understand the financial condition of school

Put in place budgeting best practices

Ensure that the necessary financial policies are in place to prevent fraud, waste and misappropriation

Financial Culture – Fiscal Management Vs. Bookkeeping

“Good Practice” in Financial Management:

Understand the financial condition of school

Put in place budgeting best practices

Ensure that the necessary financial policies are in place to prevent fraud, waste and misappropriation

Use the Board as a resource and advisor on financial issues

The Board and Management work together on significant financial issues

Financial Culture – Fiscal Management Vs. Bookkeeping

“Good Practice” in Financial Management:

Every Board should have a finance committee with financially literate members who have an understanding of:

Budgeting

Financial processes

Financial Statements

Financial Audits

Consider the benefits of having a finance manager on staff

Budgeting – 101

Set-up your basic budget
into the BIG areas:

Budgeting - 101

Other considerations for your budget:

Budgeting - Staffing

Staffing is the largest component of the budget

Accurate Staffing Allocations are the first step in effective resource management

Accurate Staffing Allocations require an annual review and update pending changing budget pressures

Staffing formulas should support the Instructional Plan

Enrollment by school

Is it FLAT, Growing, Declining – what is the trend for future planning?

Any new square footage? New schools, mobile units, expansion space, or a decline in those items?

Impacts custodial allocations, maintenance, administrative support positions as well as supplies & materials needed.

Are you simply hiring on the “replacement” policy and have you been “holding harmless” positions?

Need to look at current staffing ratios by school for position types

Budgeting - Staffing

SHOULD
consider using
formulas based
on ADM to staff
schools for
various types of
positions
(Teachers,
Teacher
Assistants,
Guidance,
Media, etc.).

If your district is not
allocating staffing
resources based on
formulas then may be
misaligned with actual
students and
over/under staffed in
key areas and schools.

Budgeting - Staffing

Considerations
for Staffing
Formulas:

In Positions or FTE?

Nearest whole, $\frac{1}{2}$ or exact?

In Months?

Months would provide the most flexibility if...you are allowing conversions and use of lapse salary

Use Percentages based on ADM and other factors?

Some use 80% on base ADM and then 20% on at-risk or T1 eligible adm

Can schools convert or use lapse salary?

At 100% or maybe just a portion to support plans

Budgeting – Cash Flow

A cash flow budget will help you plan the amount of cash versus expenditures in a specific time period...monthly would be reasonable. Some considerations:

Compliance – State Public School Funds



The charter schools must comply with applicable North Carolina General Statutes Chapter 115C, e.g., Article 14A and Article 31.1



In addition, the State Board of Education has authority to issue rules and regulations through the Allotment Policy Manual and letters/memos with which charter schools must comply.



The State Public School Fund is administered through the State Board of Education (SBE) and the Department of Public Instruction (DPI).

Compliance – State Public School Funds

Examples of requirements: G.S. 115C-218.90 - 50% of teachers who hold teacher licenses in compliance

All Exceptional Children staff should have an active license certified in Exceptional Children

Pay Employer's Quarterly Tax and Wage Report on time

It is the State Board of Education's policy that the State Public School Funds appropriated in the current fiscal year are used to pay for obligations incurred during the same fiscal year.

Compliance – State Public School Funds

Examples of requirements:

G.S. 115C-218.65, charter schools must ensure the School Report Card issued for it by the State Board of Education is provided to the public.

Per N. C. G. A. Session Law 2011-147, the Gfeller-Waller Concussion Awareness Act public schools must follow concussion safety requirements for interscholastic athletic competition.

The charter school must comply with the applicable rules and regulations governing use of state funds.

Summer Reading Camp

Teacher Legislated Bonuses

Principal Bonuses

Compliance – Fiscal Requirements

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Compliance – Fiscal Requirements

Compliance – Fiscal Requirements

The charter school must comply with the applicable rules and regulations governing use of federal and state funds.

Top 10 Financial Mistakes to Avoid

1. Late reporting
2. Absence of financial expertise on Board
3. Failure to adjust to lower than anticipated student membership
4. Absence of discipline around purchasing and contracts
5. Absence of understanding of grant requirements
6. “Trusting” one person to handle finances and operations
7. Allowing school administration or a board member unilateral control over funds
8. Entering into facility deals that obligate a large percentage of the operating funds
9. Failure to budget contingencies and build reserves
10. Lack of fiscal internal controls

Any Questions?

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