



# Financial Oversight for Charter School Boards





## GOALS:

At the end of the session, school board members will be able to:

- ✓ Successfully execute the financial responsibilities of School Board members
- ✓ Assess their school's financial health and identify financial red flags
- ✓ Develop follow up questions to ask school leadership





# Why?

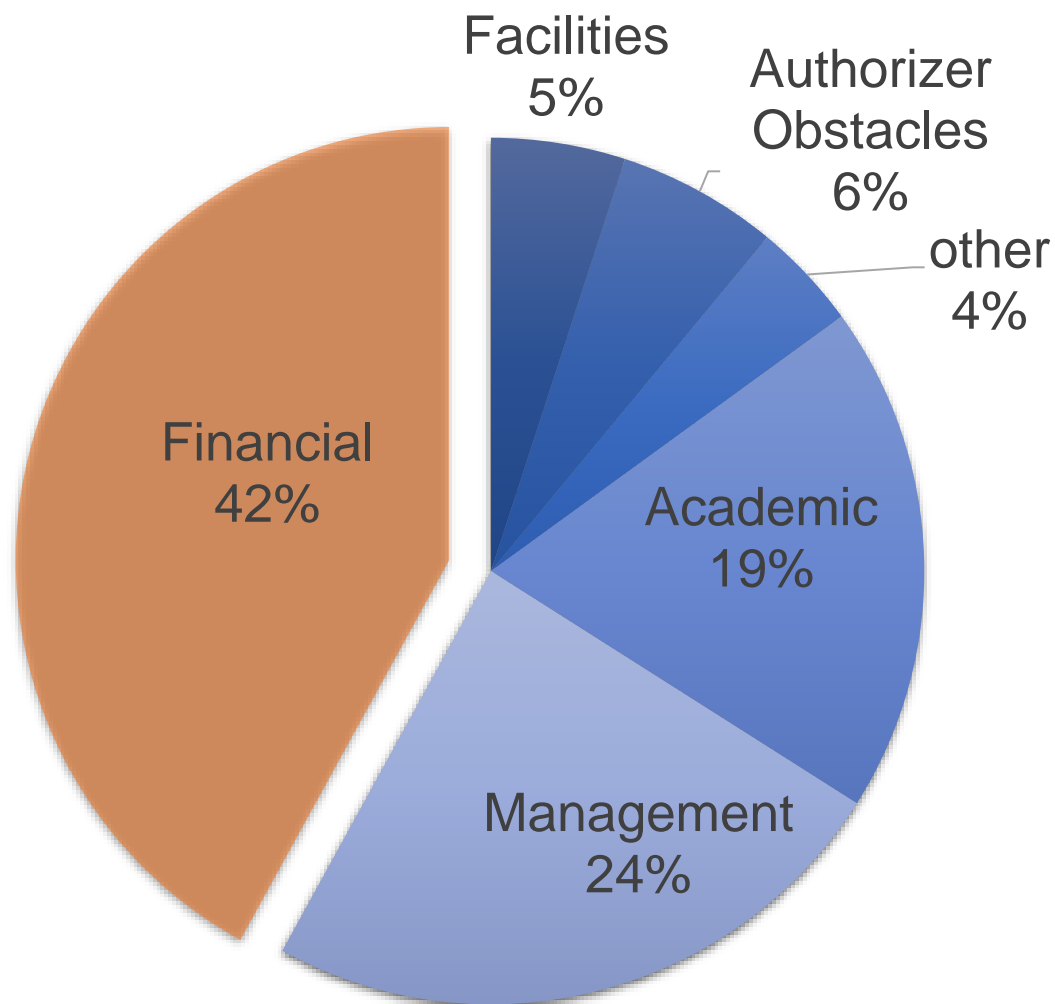


- Statute:
  - ✓ 22 45 102(1)(a) & (b)
  - ✓ CRS 22-45-102(2)
- Board policy
- Charter Contract
- Debt Covenants





# Reasons for Charter School Closures





# How?

## Full Board

- ✓ Budget Adoption
- ✓ Financial Policy Review and Adoption
- ✓ Independent Audit Review

## Finance Committee

- ✓ Monthly financial report review
- ✓ Budget recommendations
- ✓ Financial policy and procedure review

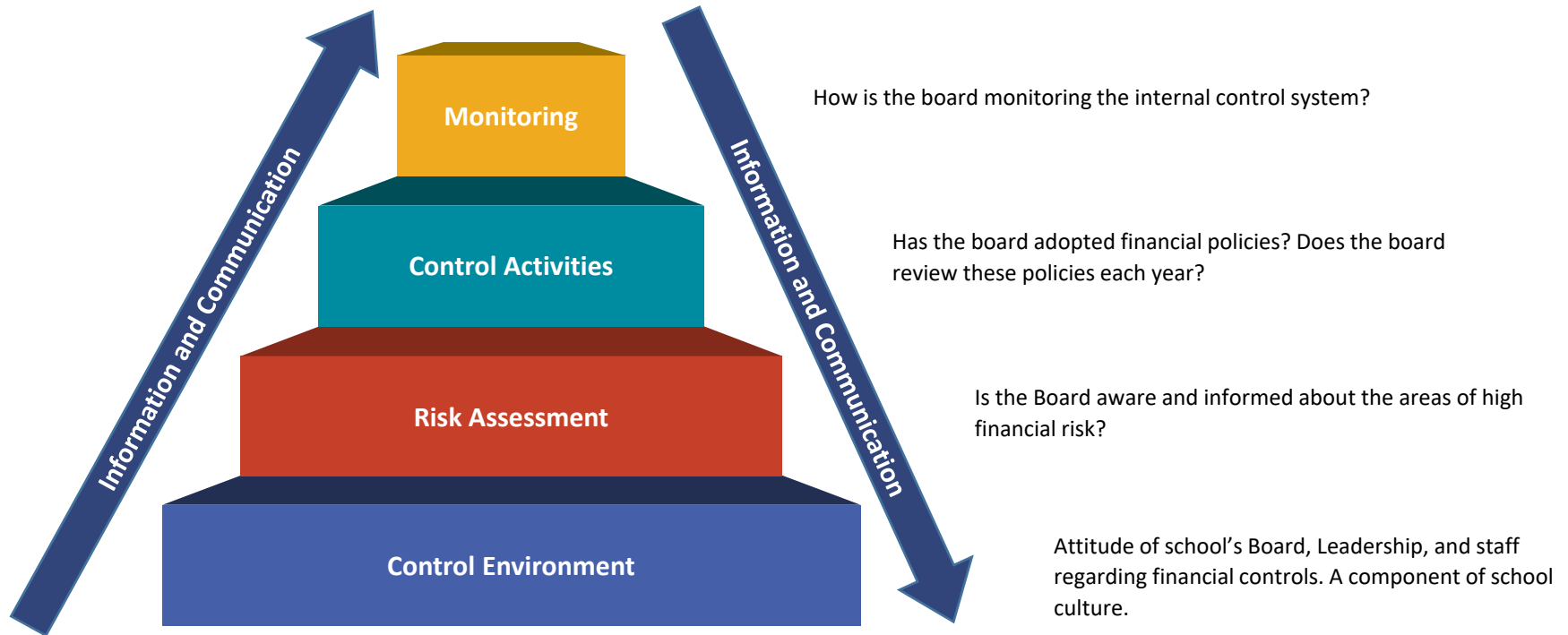
## School staff

- ✓ Monthly financial report preparation and presentation
- ✓ Development of financial procedures
- ✓ Day-to-day financial operations
- ✓ Implementation of board policies and financial procedures





# Risk Mitigation





# Key Terms





## Budgets and Actuals and Forecasts, OH MY!

Budget	Actual	Forecast
Plan for the year	Actual activity as of a point in time	Estimated year-end actuals
Infrequent updates with stakeholder involvement	Changes daily	Updated monthly
Includes both expenditures and revenue	Includes both expenditures and revenue	Includes both expenditures and revenue
Board approval via resolution	Approvals pre-defined in financial policies	No approvals necessary

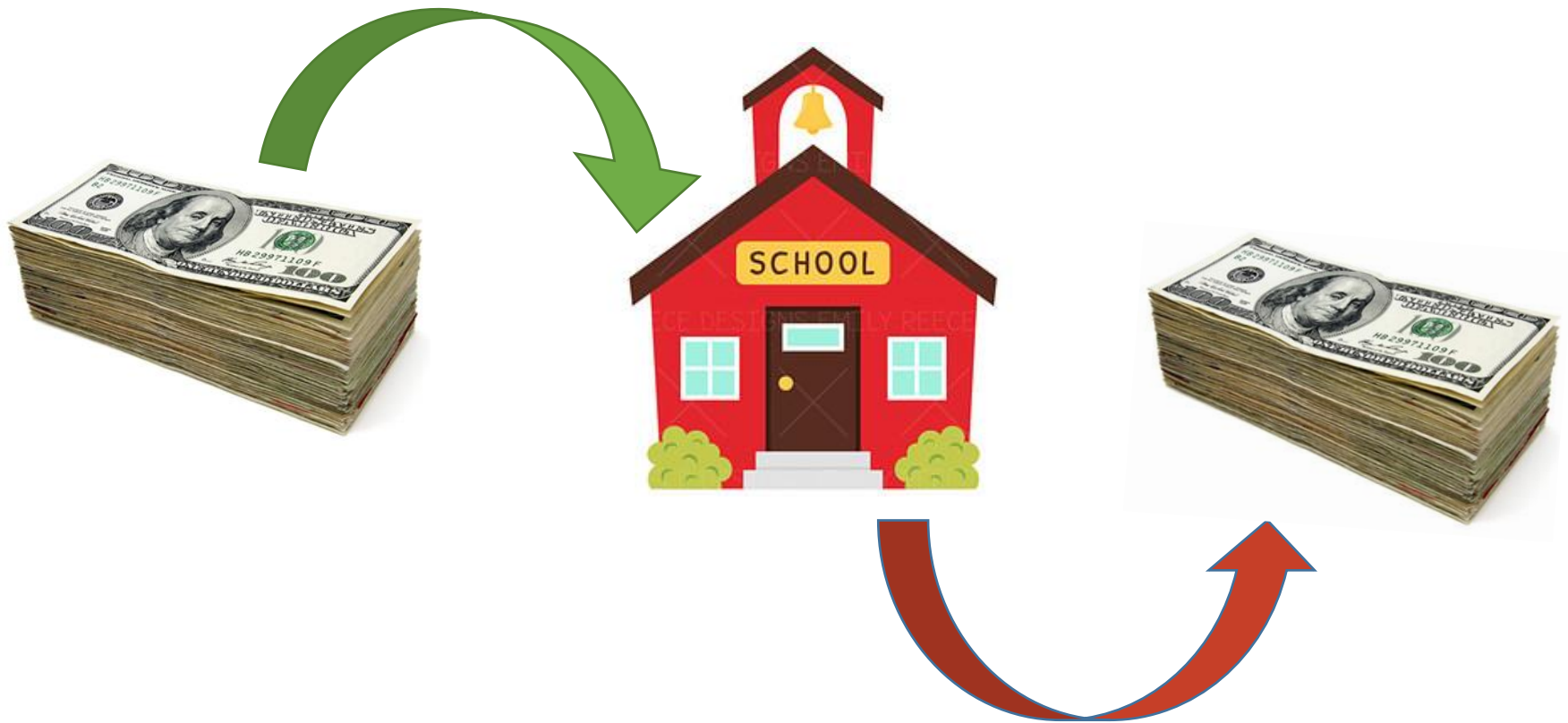
# YEAR TO DATE (YTD)





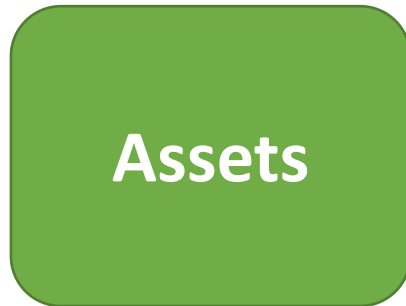


# Ca\$h



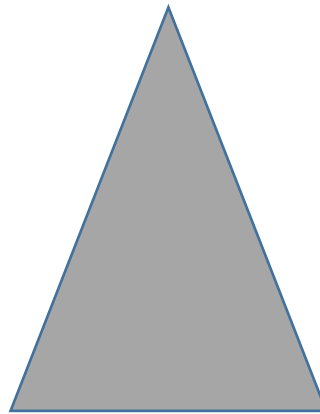
# Key Terms

## Balance Sheet



What you have

- Cash and investments
- Receivables
- Fixed Assets



What you owe

- Payables
- Debt





**MARKETING CONSULTING SERVICE INC.**  
**Unadjusted Trial Balance**  
**December 31, 2015**

<b>Account Name</b>	<b>Debit</b>	<b>Credit</b>
Cash	\$ 24,550	
Consulting fees receivable	11,700	
Prepaid office rent	3,150	
Prepaid dues and subscriptions	150	
Supplies	300	
Equipment	18,000	
Accumulated depreciation - equipment		\$ 5,100
Notes payable		2,500
Income taxes payable		6,000
Unearned consulting fees		2,975
Capital stock		15,000
Retained earnings		16,350
Dividends	30,000	
Consulting fees earned		128,590
Salaries expense	44,410	
Telephone expense	1,275	
Rent expense	11,000	
Income tax expense	25,500	
Dues and subscription expense	280	
Supplies expense	800	
Depreciation expense - equipment	3,300	
Miscellaneous expenses	2,100	
<b>Totals</b>	<b>\$ 176,515</b>	<b>\$ 176,515</b>

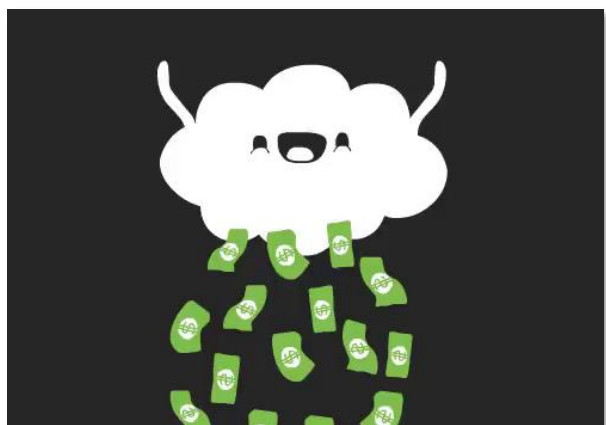




# Revenues and Reserves

- Reserves

- TABOR – 3% of state revenue
- Board Policy?
- Debt Covenants?
- Best practice – 6% to 10% of expenditures, 2 months of unreserved fund balance



- Revenue

- PPR
- Enrollment
- State and Federal Formula Grants
- Fee Revenue



# Expenses



## Budget fixed costs first

Examples: Facility costs, School Leader, administrative costs including front office, financial management, and data submissions, school wide software license fees, insurance premiums, bus maintenance, telecom

### Fixed Costs

*Do not change with an increase or decrease in enrollment. Fixed costs have to be paid regardless of enrollment.*



## Minimum Variable costs second

Examples: Minimum staffing for: teachers, aides, nursing, SPED services; minimum copier/printing, supplies; fuel for minimum routes

### Variable Costs

*Fluctuate with changes in enrollment.*



## Prioritize additional variable costs

Examples: Additional staffing, supplies, copier/printing, fuel for additional routes





# Financial Reports





# When?

## Annually

- ✓ Adopted Budget
- ✓ Amended Budgets
- ✓ Independent Audit

## Quarterly

- Board Review of:
- ✓ Profit and Loss
  - ✓ Balance Sheet

## Monthly

- Finance Committee Review of:
- ✓ Profit and Loss
  - ✓ Balance Sheet
  - ✓ Cash Flow Forecast
  - ✓ Bank Statement





# Monthly Financial Reports



Income Statement



Balance Sheet



Cash Flow Forecast\*



Bank Statement\*

\* One per bank account, not required by statute







# Income Statement

## LOOK FORs:

- ✓ Net income: Negative, lower than previous year or Budget
- ✓ Ending Fund Balance: Negative, lower than previous year or Budget
- ✓ Variance to budget: revenue trending low, expenditures trending high, net income/ending FB trending low





# Balance Sheet

## LOOK FORs:

- ✓ Cash balance: Low, or amount is not close to bank statement balance
- ✓ Receivables: Unexpected items, if high, question AR aging
- ✓ Payables: Unexpected items, if high, question AP aging
- ✓ Equity should equal YTD fund balance on P&L, **SHOULD NOT BE NEGATIVE**





# Cash Flow Forecast\*

## LOOK FORs:

- ✓ Monthly actuals should tie to bank statement (receipts, disbursements, net activity, beginning and ending balances)
- ✓ Review future months – forecast reasonability compared to previous months
- ✓ Smooth revenue and expense trends (RF – large lump sums of revenue or expense – need to ask why)
- ✓ Negative Cash, or very low cash in any given month

\*Should be reviewed monthly by Finance Committee





# Bank Statement\*

## LOOK FORs:

- ✓ Should tie to actuals on cash flow forecast, and be close to cash balance on balance sheet
- ✓ Higher than normal payroll (know your monthly payroll amounts)
- ✓ Note debit card purchases, know what they are for
- ✓ ANY unexpected outflows or vendors you don't know

\*Should be reviewed monthly by Finance Committee





# In Summary...

- More charter schools fail due to finance than any other single reason
- School Boards have a fiduciary duty to safeguard public assets
- Without sound finances, education can't happen





# In Summary...

- The tone at the top is critical to strong financial oversight
- Review your reports monthly
- **ASK QUESTIONS!**





# Resources

- [Monthly Financial Review Worksheet](#)
- Financial Policies and Procedures
  - [Guidance](#)
  - [Sample FPP](#)
- Budget adoption and resolutions
  - [Adopted budget resolution](#)
  - [Use of beginning fund balance resolution](#)

