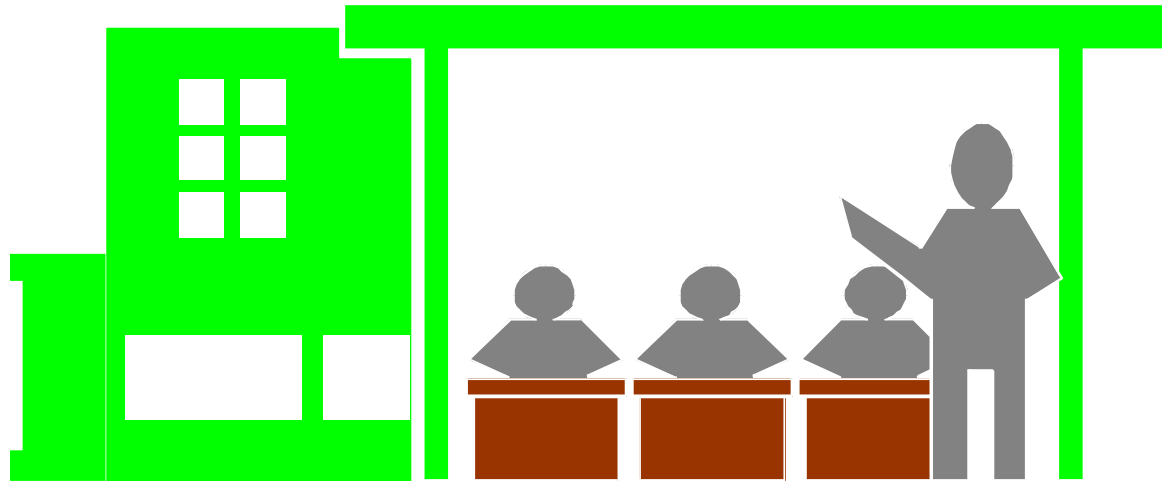


SmartStart Guide™:



Charter Schools Budget & Finance

*A Resource Guide for Understanding, Setting Up, and
Managing
A Quality, Compliant School Financial System*

First Edition, December 2003

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E D U C A T I O N M A N A G E M E N T C O N S U L T I N G

SmartStart
Guide™

Charter Schools Budget & Finance:

*A Resource Guide for Understanding, Setting Up, and
Managing
A Quality, Compliant School Financial System*

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Introduction

As a public school, a New Hampshire charter school must exercise the same financial care and control as any other public school. Financial and business transactions must be handled in specific, accountable ways.

If you think that handling your charter school's money will be as simple as writing a few checks and balancing the checking account, you are mistaken. There are many customary standards and expectations related to managing your charter school's public school funds. In fact, your charter may be revoked if your school "*fails to meet generally accepted standards for fiscal management*" (RSA 194-B:16, (b)). Financial management is not an area to improvise or treat casually.

Setting up to administer and manage a charter public school requires knowing specific laws that govern charter school operation, funding, and reporting. Sections of statute that provide guidance on financial and business management are provided in this booklet.

Charter schools are funded differently than traditional public schools—they have a fixed amount guaranteed per student. The charter school's funding, ability to contract, use of funds, ability to borrow, find facilities, and generally manage its financial and human resources all have specific guidelines embedded in the Charter Schools and Open Enrollment Act of 1995, as amended in 2003 (RSA 194-B).

An annual audit is required, so your system of financial management should be set up in accordance with expectations of your auditor. Most of the financial records are public records which can be inspected and copied; thus, the method of keeping business and financial files is very important. If you are unfamiliar with

methods used by public school business and accounting offices, this book will give you guidance to help set up and manage your finances.

The school's bookkeeping/accounting personnel will be expected to provide documentation at the auditor's request. Expect to be asked for employee personnel and pay records, vendor invoices and payments, journal entries, reconciled bank statements, petty cash documentation, minutes of board meetings, and other documentation to show that financial decisions were authorized and proper.

Strict guidelines will have to be followed if/when federal grant funds and gifts are received. If not followed or if funds are co-mingled or used for reasons other than intended, your school may risk losing federal funding or incurring penalties, including having to pay back prior year funding.

Reporting requirements address financial management as well as student achievement. So early on--before opening--the Board of Trustees and the charter school's authorizer should agree on the details of annual and quarterly reports.

Your school has options for providing financial management services. One consideration is having a financial/business office that your Board of Trustees oversees and sets up on or off site. A small school needs considerable set-up assistance but does not require a full-time bookkeeper/accountant once in operation. A second option is outsourcing business and/or bookkeeping operations. A third model might be a combination—outsourcing payroll and benefits and handling accounts payable internally. No matter how you cover these responsibilities, you need someone trained and experienced to oversee financial operations.

However the work is accomplished, the chartered public school must be carefully and frugally managed to survive. To help new management staff and governance

boards, this booklet provides guidance on areas of financial operations, listed in alphabetical order. Sample financial policies, forms, and other information are included for reference.

Accounting Principles

GAAP guidelines are the accounting industry standards. They provide guidance as to the most accepted way of handling various accounting transactions. Your charter must follow “*generally accepted standards for fiscal management*” and so making a commitment to GAAP principles assures a high standard.

Standards of GAAP are used to set up and manage accounting systems and develop financial reports. GAAP compliant records and reports are kept according to these standard practices. When a charter states that the school will follow GAAP principles, this means the school will not have untrained or inexperienced personnel inventing a system of keeping records in a non-standard and unfamiliar manner.

All licensed CPAs are trained in GAAP procedures. Accordingly, it is wise to have a CPA with public school industry experience advise or review your bookkeeping/accounting procedures early in the school's existence.

A charter school that is GAAP compliant will have controls in place that allow for a timely and efficient audit (which can reduce audit costs).

Address Database

Most accounting packages have a data management system that stores and manages all name/address/phone/tax ID information for all vendors, employees, contractors, and others. You need this information. If you do not have a complete accounting software package, then you must create a database for storing and managing this information.

Current Address: Yours and Theirs

People and businesses change phones, locations, and e-mail addresses. Your operation might change its address data as well. You must be prepared to notify all your parents, faculty, vendors, and consultants, of your address change. An e-mail or a post card provides this.

Merging Data:

Your address database should merge with other software programs (e.g. accounting programs for personnel). Often a notice is needed to all parents, staff, and vendors. Merging data greatly reduces time spent on mailings.

AMENDMENT, OF CHARTER

The charter is a contract—a business plan—with a proposed set of circumstances and commitments related to budget, revenue, location, and students.

In school management, circumstances change...actual events and circumstances may not be as anticipated. A charter amendment may be necessary. The facility for your school may have smaller rooms than planned and so the number of students may have to be decreased. Or a school district may request the charter school be larger than planners intended and planners agree.

A charter grantee may apply for amendment of its charter in the same manner that it applied for its original charter. The charter authorizer shall grant or deny the charter amendment request. *“An approved amended contract shall be promptly signed”* by the authorizer *“within 30 days,”* (Note: Local authorizer decisions may be appealed to the state board of education (RSA 194-B:3, IX).

APPLICATION FEE(S)

According to statute (RSA 194-B: 2, VII), *“There shall be no application fee for pupil admission to any charter school or open enrollment school.”*

This does not mean that there can be no fees for any school matters. Charter schools may have other fees, but must be very sensitive about assessing any allowable fee.

Parents with limited resources generally will not identify themselves. Students can be humiliated by discussing their need for fee waivers with adults in school or in earshot of their peers.

A sensitive way to approach class trip or event fee costs is to tally the total amount needed and have the class as a whole raise funds for that event. Parent organizations often take a lead role in raising money so that the school can avoid program-related fees.

ATTENDANCE

Accurate attendance records must be kept on a daily basis. Charter schools should record students by grade and sending district.

“Any resident pupil enrolled in a charter school is to be considered reassigned to the charter school for purposes of school attendance” (RSA 194-B:9, IV).

Charter schools should obtain and maintain on a daily basis the school registers used by any other public school. These are tallied and submitted to the state in order to determine “Average Daily Membership” (ADM) of pupil attendance. ADM data is used by the state for various decisions, including revenue distribution.

The school needs a system for tracking employee attendance as well—mostly to assure an accurate record is available to match personnel leave requests with contract provisions and to monitor employment-related absence.

AUDIT/AUDITOR REQUIREMENTS

New Hampshire's charter school statute requires a charter school have an annual audit.

When soliciting auditor price quotes, ask for information about services provided, timeline for having the audit completed, and auditor availability for consultation, before and after the audit. If your bookkeeping personnel need advice, will there be a charge? Talk with the representatives from the audit agency. Check auditor references, as you would for any other service provider. Did the auditor complete the audit according to agreed upon timelines?

Generally, one to two months prior to the fiscal year end, the auditor will send a preliminary list of items needed for pre-audit review. Additionally, auditors will generally list items to have ready when they conduct the on-site component. Time spent on an audit will vary depending on the size of the institution and how well the financial system is organized. If your records are organized and maintained well, the audit will not be a problem for your school or the auditor.

AUTHORIZATION SYSTEM FOR APPROVALS

CHECK SIGNING AND CONTRACT SIGNING

Typically school districts have a Treasurer--one designated person to sign all checks—and not the same person who writes the checks. Internally, schools have a system of different people reviewing purchases and approving the release of funds for payment. These controls are intended to prevent error and fraud (embezzlement, stealing, bid-rigging, etc.).

A charter school's system for approving payment can follow the same system as the traditional public school, with the Board separating duties by designating one person to sign checks releasing funds for payment, and a different person managing the books, reviewing expenses, and preparing checks for payment. Board policy will clarify the Board's role in approving expenditures.

School policy can follow the same system of controls expected for traditional schools.

AVERAGE PER PUPIL COST

The definition of “average per pupil cost” in the Charter Schools and Open Enrollment Act, RSA-194-B:1 is as follows: *“the total of education expenditures in a particular district and at the elementary, middle/junior, and high school levels, less tuition, transportation, capital outlays, and net debt service, as compiled by the department of education. Kindergarten cost shall be calculated at ½ the cost of elementary schools.”*

Annually, each school district is asked to compute its “average per pupil cost” based on the school district’s budget and annual expenses. These computations are forwarded to the Department of Education. Each school district’s average per pupil cost is posted on the Department’s web site, under “statistical information.” Districts are all different as to how much they calculate they spend per pupil.

There is no set formula or regulation for computing this calculation by school districts. Certain school district expenses are NOT included in per pupil cost calculations: transportation, out-of-district tuition, capital outlay, debt service. And so, each school district might calculate its costs in a slightly different manner. A school district’s official per pupil cost calculation does not give “all” costs of running the school district—some large expenses are omitted.

A charter school, however, must provide for “all” the costs of running the charter school in its per pupil allowance—transportation and building leasing included. Under the local authorizer model the charter school receives no less than 80% of the sending district’s per pupil cost. Under the state authorizer model the charter school receives no less than the state’s adequate education aid (approx. 30-50% of a district’s per pupil cost). But even if the charter school were to receive 100% of any district’s average per pupil cost, the charter school would still have less

funding per student since “all” the charter school costs of leasing/renting and transportation must be provided from this per pupil allocation.

Bottom line: Charter schools receive less funding and must be very, very entrepreneurial in their revenue and expenditure budgets.

BACK-UP SYSTEMS FOR DATA

Imagine you hit a delete button by mistake and your personnel/payroll files are history...or...a virus infects your system...or something is saved with portions deleted and lost. Working with finances and payroll requires a back-up system so there is always a second set of data at the end of each day.

Back-up systems are extremely important. Surge protectors will help protect the computer from electrical surges. A UPS (Uninterruptible Power Supply) should be considered if you live in an area that experiences power outages.

Data back-ups should be done daily, with a disk (or whatever format will be used) for each day. At least once weekly a full system back-up should be completed with duplicate data taken off site. Have enough disks available so you can alternate throughout the week and have extras for taking off site. Periodically, replace disks with new ones as they do wear out.

Back up complete annual data at the end of the fiscal year and store off site.

BANK ACCOUNT(S)

PAYROLL, GENERAL, FEDERAL & STATE FUNDS

Small school organizations may benefit from 2 or 3 bank accounts—a common practice for larger systems. It helps with careful account tracking.

Payroll Bank Account: A separate bank account for payroll provides separate statements for all payroll and payroll-related checks. A separate, monthly bank statement dedicated to payroll expenditures and deposits makes it much easier to reconcile these specific and large sums. Payroll is kept separate in most accounting systems.

General Bank Account: All non-payroll expenses, transactions, and receipts are typically and easily kept in a general purpose bank account.

Federal & State Funds Account: The easiest way to mismanage federal and state grant funds is to dump them into a regular account and allow their balance to show in a regular account balance. You can track federal funds, grants and gifts in the general bank account and accounting system without a separate checking account, but the possibility of confusing these funds is great. Keeping specific federal and state grant funds separate makes it much easier to track according to specific purpose and source and will help keep you out of trouble.

Check with your auditor or supervising accountant for a recommendation.

BANK, SELECTING

Consider a variety of factors in selecting a financial institution:

1. What types of business checking accounts are offered?
Are there monthly service charges?
Are minimum balances required?
Are there interest earning business accounts?
2. How soon are deposits available for use?
3. What requirements are there to issue a line of credit?
4. Are special loans available to certain types of businesses?
5. Convenience (how difficult is it to make deposits)
6. Can they handle other transactions which may apply to your business?
7. Is a direct payroll deposit system an option?
8. Do they offer online banking, account checking, or other services?
9. Will you earn interest on your balance?

All other things being equal, use a bank which offers you cost-free, no-fee bank accounts and services. Your school is an important non-profit institution in the community. Your school will operate on a very tight budget and need take advantage of every expense efficiency.

BIDS

The term “bid” brings to mind official procedures for awarding a project—with advertised notices, very clear specifications, specific procedures for bid openings that are shared with bidders, and specific ways of opening bids and notifying bidders of the result. There may be occasions when your school will actually, formally “go out to bid.”

Mostly, however, your office will seek “price quotes,” not “bids.” It should be standard operating procedure to seek 2 or 3 “price quotes” before purchasing your office chairs, printing service, or even auditor. Vendors will understand that your school has to stretch its dollars and that price quoting is required.

Avoid using the term “bid” unless you are truly “going out to bid.” Otherwise, a vendor might misunderstand the procedures being used.

In the course of making many, many purchase decisions, there will be factors to weigh other than cost in purchase decisions—maintenance, durability, reliability, supply costs for operating equipment, quality, vendor experience, liability, etc. Sometimes a more expensive item is the better purchase. Whether officially bidding or just seeking price quotes, checking references is very important.

BORROWING

Cash flow requires adequate funds to pay employees and bills in a timely manner. Insufficient funds to cover payroll leads to very stressful work conditions for everyone. Insufficient funds for accounts payable can lead to high penalty charges and late fees.

As you begin to locate a bank (and discuss options for no-cost/no-fee accounts and services), also discuss a line of credit arrangement, should it be needed. It may happen that the school's revenue payments are delayed and the only method of securing cash flow is a line of credit. Be prepared to show how you will repay any loans or lines of credit used.

BUDGET & BUDGET COMPONENTS

A budget is a plan. No matter how carefully it is conceived, it is a plan based on the governing body's best estimates of what you know and understand at the time of budget development. Budget development typically begins many months before it goes into effect. Under RSA 32:4 a budget is a prepared "statement of estimated expenditures and revenues for the ensuing fiscal year."

A budget has two components or sub-budgets: 1) revenue (what comes in) and 2) expenditures (what gets spent). The basic idea is to have a budget of expenditures that is equal or less than your budget for revenue.

1. Expenditure Budget—a projection of expenditure needs. Sections of the expenditure budget broadly include:

- *total compensation — salaries and benefits,
- *instructional services, other than personnel — books, workbooks, reference and library materials, equipment, beakers, file cabinets, assessment programs, computers, software, and licensing fees, etc.,
- *physical plant — building, building upkeep, utilities,
- *transportation,
- *management costs — insurance, administration, consultants, legal and auditing, training, board expenses,
- *special grants and projects,
- *other, unanticipated.

2. Revenue Budget –a projection of revenue receipts and sources.

Sections of the revenue budget broadly include:

- *per pupil revenue,
- *grants,

- *gifts and bequests,
- *loans,
- *other state and federal funds,
- *receipts from events or entrepreneurial ventures,
- *other.

The overall annual budget plan—no matter how careful you are—will have new items every year that you had not considered. With experience, planning and guesstimates sharpen and become more reliable over time. Schools have times when additional funds are needed. Raising additional funds, borrowing funds, and saving in contingency funds are all needed budget considerations.

BUDGET MANAGEMENT

At least once a month budget reports should be generated and carefully reviewed. It is extremely important not to overspend the budget. Doing so may jeopardize receiving funding of any kind in the future. As the end of the fiscal year approaches or if overspending looks imminent, weekly tracking of accounts may be needed. Additionally, if the budget forecasting shows an imminent shortfall of funds, immediate steps must be taken. These steps can include increasing revenue, decreasing expenses, or both, as well as working with vendors to stretch out payment terms.

A reporting format that helps forecast accurately includes columns for 1) approved budget, 2) actual expenditures to date, 3) encumbered expenditures, and 4) anticipated balance. Including encumbered or committed expenditures is hugely important in forecasting.

CALENDAR: WHEN ARE CERTAIN OPERATIONS PERFORMED?

Certain required reports, submitted on specific forms, must be submitted according to specific calendar dates. The reporting forms and details are changed from time to time by the agency requiring the reports.

A well-organized office has a month-by-month calendar to reference for reports and tasks required on a certain date. Keeping contact information and a contact for the proper office at the Department of Education, Department of Revenue Administration, and Department of Labor is imperative so your financial office can seek current information and guidance when needed.

Examples:

Form 941: Employer's Quarterly Federal Tax Return

Due by April 30, July 31,
Oct 31, Jan 31

Form 940: Employer's Annual Federal Unemployment Tax Return (FUTA)

Due by Jan 31

Forms W-2 & W-3

Due to employees by Jan 31
Due to IRS & SSA by 2/28

1099-Misc.

Due to Recipient by Jan 31
Due to SSA by 2/28

Your host community may have date-sensitive reporting requirements. Sending districts may request certain data related to their own needs — contracts,

transportation, food, federal funds, etc. Communicating early in your school's operation is wise. This gives time to clarify what data is expected from your school and enables a plan to generate needed data at the proper time.

CASH FLOW: PLANNING AND MONITORING

How will you know if you have enough funding to cover your monthly expenditures? Your financial manager needs to know if there is enough revenue to cover anticipated expenditures for a given month and should forecast expenditures/revenues by month.

Certain expenditures are consistent on a month-to-month basis, e.g. phone or trash pick-up. Other expenditures vary with the weather or season—heat, snow removal, school bus costs, electricity, e.g. for classroom instruction.

The first year of a school's operation will have large variances. The more cash flow analysis completed, the better information you have detailing patterns in spending by month. And better information and forecasting makes predictions much more accurate. If your school does not have enough money to cover annual expenses, this is surely a problem. But not knowing that you do not have enough money to cover expenses is a much greater problem and is a sign of poor monitoring.

Fiscally responsible account managers monitor their receipts, expenditures, and cash flow on a monthly basis.

CASH RECEIPTS

Schools receive cash and checks. Neither should be left in school. Each building needs a cash receipt plan to record checks and cash received, deposit the money each day, and enter the receipts into the accounting system. Cash receipts need to be carefully monitored and quickly deposited. Ask your auditor for guidance as to best practice.

CHART OF ACCOUNTS

A standardized, numerical coding system provides guidance for naming different sections, functions, and line items in the budget. Numerical budget coding systems vary somewhat from state to state and system to system. Standardizing your chart of accounts to conform to other public school reporting in your state is important for statewide data reporting. A budget can consolidate line items to keep budgeting as simple as possible or have dozens of detailed line items.

The New Hampshire Department of Education has a chart of accounts which has detailed line item and function codes. Use these codes for reference for the charter school budget. When completing statistical and financial reports for the Department of Education or Department of Revenue Administration, using a standardized chart of accounts will make budget reporting easier.

A helpful system is defining your key accounts and what is properly posted within them. Sharing this information with personnel enables everyone in the system to requisition items from the proper account. Purchasing and accurately tracking expenses is difficult if purchases are randomly posted. Expenses posted inaccurately (e.g. supplies posted to equipment accounts) will skew financial reports, keep the governing Board misinformed, and may result in less than optimal decisions.

A well-articulated accounting system allows the board and administrators to know how much the school spent or needed for various types of items—furniture, test materials. This information, in turn, is needed for accurate budgeting in the next year. Accurate budget management is based on a clear, concise, defined chart of accounts.

CHARTER SCHOOL LAWS

FINANCIAL AND BUSINESS MANAGEMENT

Statutory components of New Hampshire's charter school and open enrollment legislation guide charter school financial and business operations. These legal provisions define what options charter schools have and in what areas they are exempt.

Rights and Privileges

RSA 194-B:3, I. (a): *Except as expressly provided in this chapter, including but not limited to RSA 194-B:8, charter schools shall be fully exempt from state laws and rules which otherwise apply to public or nonpublic schools, or local school boards or district. Notwithstanding the foregoing, charter schools shall have all the rights and privileges of other public schools.*

Real Property

RSA 194-B:3,XIII. *The board of trustees of a charter school may acquire real property by lease, purchase, lease with purchase option, gift, or otherwise at any time prior to receiving a charter.*

Authority Over the Operations

RSA 194-B:5, I: *Unless otherwise provided in this chapter, the board of trustees of a charter school, upon issuance of its charter, shall have general supervisory control and authority over the operations of the charter school.*

Corporate Authority

RSA 194-B:5, III: *An established charter school shall be a corporation with authority necessary or desirable to carry out its charter program including, but not limited to, the following:*

- (a) To adopt a name and corporate seal, provided that any name selected shall include the words “charter school,”*
- (b) To sue and be sued, but only to the same extent and upon the same conditions that a town can be sued,*
- (c) To acquire real property from public or private sources by lease, by lease with an option to purchase, or by gift for use as a school facility, provided that such acquisition is consistent with established school purposes,*
- (d) To receive and disburse funds for school purposes,*
- (e) To make contracts and leases for the procurement of services, equipment, and supplies, provided that:
 - (1) If the board of trustees intends to procure substantially all educational services under contract with another person or entity, the terms of such a contract shall be provided in an addendum in the school’s contract,*
 - (2) The state board and the school board shall not approve any such contract terms, the purpose or effect of which is to avoid the prohibition in this chapter against charter school status for nonpublic schools,**
- (f) to incur temporary debt in anticipation of receipt of funds,*
- (g) to solicit, accept, manage, and use any grants or gifts, provided that such activities are consistent with established school purposes,*

(h) To have such other powers that are available to a business corporation formed under RSA 293-A and that are not inconsistent with this chapter.

Contractual Relationships

RSA 194-B:5, V: *A charter school and the host school district are encouraged to enter into mutually advantageous contractual relationships resulting in the sharing of transportation, instructional, athletic, maintenance, and other services and facilities.*

Health and Safety Laws

RSA 194-B:8, II: *A charter school shall comply with all applicable state and federal health and safety laws, rules, and regulations.*

Contracting for Services

RSA 194-B:8, VII: *(a) A charter school may contract for services with any private or public entity, including, but not limited to, private and public schools or districts, except for teaching services which may not be obtained from a non-public school.*

(b) All contracted services shall be defined by purchase order or written contract in advance of such service being provided,

(c) Any contractor shall provide proof of adequate professional liability insurances,

(d) Subcontracts for teaching services with nonpublic schools are prohibited.

Annual Audit

RSA 194-B:10,II: *A charter school shall provide at its own expense an annual financial audit and report to the state board and the school board complying with any current format and content requirements imposed upon a public school. The report shall include the number of pupils served by the school and their respective tuition rates and a discussion of progress made towards the achievement of the school's academic and other goals set forth in its charter.*

Annual School District Budget Process

RSA 194-B:10, V: *A representative of a charter school shall attend and be prepared to report at and answer questions during relevant portions of the annual school district budget process.*

RSA 194-B:13, III: *The board of trustees, in consultation with teachers and the principal, shall determine the charter school's curriculum and develop the school's annual budget.*

Tuition

273:2 Charter School Funding. Amend RSA 194-B:11, I to read as follows:

*I. There shall be no tuition charge for any pupil attending an open enrollment or charter conversion school located in that pupil's resident district. Funding limitations in this chapter shall not be applicable to charter conversion or open enrollment schools located in a pupil's resident district. For any other charter or open enrollment school **authorized by the school district**, the pupil's*

resident district shall pay to such school an amount equal to not less than 80 percent of that district's average cost per pupil as determined by the department of education using the most recent available data as reported by the district to the department. For any charter school authorized by the state board of education, the pupil's resident district shall pay tuition beginning July 1, 2004 and every fiscal year thereafter, in an amount per pupil equal to the amount determined in RSA 198:40, I. Tuition amounts shall be prorated on a per diem basis for pupils attending a school for less than a full school year. To the extent permitted by law, ~~[funding for a pupil attending a charter or open enrollment school shall be paid on the same time schedule as the resident district,]~~ tuition payments shall coincide with the distribution of adequacy grants under RSA 198:42 or on such other terms as ~~[the school and the funding source may find]~~ are mutually acceptable.

Charter School Funding

273:3 New Paragraphs; Charter School Funding. Amend RSA 194-B:11 by inserting after paragraph VIII the following new paragraphs:

IX.(a) The pupil's resident school district or department of education shall pay tuition in cash or may issue reimbursement anticipation notes as set forth in RSA 198:20-d for each year in which a resident pupil attends a charter school. Unless otherwise

agreed upon, cash payment shall coincide with the schedule for grant payment set forth in RSA 198:42. The reimbursement anticipation note shall be in the amount specified for the year of attendance at the charter school, and shall be issued to the charter school prior to the beginning of the school year of the charter school. Each reimbursement anticipation note issued shall be for a term of 3 years from the date of issue or may be redeemable by the charter school at such time as the charter school or the pupil's resident school district receives adequate education grant amounts pursuant to RSA 198:42.

(b) Upon receipt of such reimbursement anticipation notes, the charter school may elect to borrow funds for the purpose of meeting general operating and maintenance expenses for charter school operations.

X. There shall be an appropriation in the fiscal year beginning on July 1, 2003 for the establishment of charter schools under this section. Charter schools which are eligible for grants under this program shall match funds provided by the state through private contributions in order to receive funding that exceeds the state's average per pupil cost for the grade level weight of the pupil. State funds shall be provided in addition to any other sums provided by the state. Grants under this section shall be administered and determined by the state board of education which shall have the

authority to develop a grant application, written procedures and criteria used to determine eligibility for grants, and procedures for the administration of grants by recipients, including reporting requirements. The total grants provided under this program shall not exceed the amount of money appropriated in the budget, or transferred, or provided by gift or grant to the state for this purpose.

XI. Any money appropriated in the budget for matching charter school grants that remains unused after the department of education issues matching grants to eligible recipients under paragraph X shall be used to provide a one-year transitional grant to public school districts that have lost pupils as a result of the establishment of a charter school, and have paid tuition to the charter school in cash pursuant to subparagraph IX(a). For the first year in which a public school pupil leaves the public school and enrolls in a charter school, the school district that loses the pupil shall be eligible for a charter school transitional grant beginning July 1, 2004 and every fiscal year thereafter, in an amount per pupil equal to the amount determined in RSA 198:40, I. Such transitional grants shall be administered by the state board of education which shall have the authority to determine eligibility and the amount of money to be awarded to school districts under this section, subject to the amount appropriated in the budget.

Other Funding Provisions

Related to state board authorized charter schools:

RSA 194-B:11, IV: Any federal or other funding available in any year to a sending district shall, to the extent and in a manner acceptable to the funding source, be directed to a charter or open enrollment school in a receiving district on an eligible per pupil basis. This funding shall include, but not be limited to, funding under federal Chapters I and II of Title II, and Drug-Free Schools, in whatever form the funding is available in any year.

RSA 194-B: 11, V: (a) A sending district may provide funds, services, equipment, materials or personnel to a charter or open enrollment school, in addition to the amounts specified in this section in accordance with the policies of the sending school district.
(b) A charter or open enrollment school may accept pupils at tuition rates at less than the amounts established by this chapter.
(c) a charter school, other than a charter conversion school, shall accept an otherwise eligible out-of-district pupil regardless of that pupil's sending district's tuition amount.

RSA 194-B:11,VI: A charter or open enrollment school may receive financial aid, private gifts, grants, or revenue as if it were a school district. A charter school shall not be compelled to accept funding from any source.

RSA 194-B:12: That portion of a school district's estimated expenditures on charter and open enrollment school tuition shall be shown as a separate line item in a school district's budget.

CHECKS AND BALANCES

At least two people should handle each financial transaction. This provides a check and balance within the system. One person might check the authenticity of the expense request (compare to contract or purchase order) and sign the payment authorization indicating the payment is proper according to back-up information, attaching the back-up requisition or contract. A second person might review this data backup and process the payment. In schools, this check and balance must be in place with Board policy governing the process by which the release of public funding is approved.

However these three steps are set up, at least two pair of eyes and an approval signature provides the oversight system for confidence that the public's money is honestly and accurately handled. The ideal situation would be to have two people handle the processing documentation and a manager/supervisor signing off.

Charter schools handling their own business and finances will not have large office staffs. For the people involved, cross-training and an operational manual assures more than one person knows how the system works. In the event one person must cover a second person's absence and handle a time-sensitive payment, the time spent coordinating a procedural manual will be time well spent.

COMPUTER HELP/BACK-UP –BEING PREPARED

Prior to even starting your public school operations, identify, contract with, or have an agreement for immediate, accessible computer help should you have technology problems. No doubt about it, one day the computer or printer will crash with a payroll or payment deadline 20 minutes away.

Or... just as you start to run a report the Board needs, the printer cartridge runs out. A smart business and financial office is prepared...with extra cartridges and materials on hand and consistent technical backup for technical emergencies.

CONFLICT OF INTEREST

IN PURCHASES, CONTRACT AWARDS, AND APPROVALS

The board of a public school, using public funding, needs to have high ethical standards and to adopt a policy defining and preventing conflicts of interest. A low standard of conflict of interest is a standard of law, at which point a violation is breaking the law. A high standard is a standard above the law that protects against even the appearance of a conflict of interest. The perception of wrongdoing in the public sector can be very powerful eroding public and employee confidence.

At a minimum, a conflict of interest exists when a person has one or more personal, business, or financial interests or relationships which would cause a reasonable individual with knowledge of the relevant facts to question the school member's integrity or impartiality in his/her decisions. Board members and school officials who make decisions about hiring, contracting, or selecting vendors for spending public money should disclose if a potential conflict or an appearance of a conflict exists. Whether or not the person then disqualifies him/herself from the decision at hand is another matter.

Recusal or disqualification from making a specific decision has to do with a person's ability to be impartial. Still, disclosure is important for there to be trust that the system and its members have integrity.

CONTRACTED SERVICES

ACCOUNTANT, AUDITOR, LEGAL REPRESENTATIVE(S), COMPUTER TECHNICIAN

A charter school may “*make contracts and leases for the procurement of services, equipment and supplies, provided that (1) if the board of trustees intends to procure substantially all educational services under contract with another person or entity, the terms of such contract shall be provided in an addendum in the school’s contract [for locally-authorized charter schools] and (2) the state board and the school board shall not approve any such contract terms, the purpose or effect of which is to avoid the prohibition ...against charter school status for nonpublic schools.*”

Charter schools will likely need small amounts of specialized services from others, such as accountant, auditor, attorney, nurse, school administrator, or others. A charter school board of trustees is most protected by using licensed personnel familiar with these functions.

(RSA 194-B: 8, VII) Guidelines for Contracting:

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- (a) “*A charter school may contract for services with any private or public entity including, but not limited to, private and public schools or districts, except for teaching services which may not be obtained from a non-public school.*”
- (b) “*All contracted services shall be defined by purchase order or written contract in advance of such service being provided.*”
- (c) “*Any contractor shall provide proof of adequate professional liability insurance.*”
- (d) “*Subcontracts for teaching services with non-public schools are prohibited.*”

DEPOSIT SCHEDULE

Other than petty cash, you do not want any money sitting in your school premises or offices. Deposits should be made on a daily basis, using a bank carrier bag available at your bank for this purpose.

Surprisingly, money comes into schools in many ways and often— establishing and training staff for a daily deposit routine (who will take, where, when, how) is essential. Typically, cash is brought to school for meals, trips, fees, book fairs, fund-raising events, student insurance, donations, late fees, course fees, building use fees, special program costs, personnel co-payments, COBRA payments, and the like.

Your deposit system might operate like this:

provide a receipt (using simple receipt books) for cash/checks received in person, separate checks and cash, fill out deposit slip. Keep deposit slips together with cash and/or checks to be deposited. Take money to the bank, write up an internal cash receipt form, attach bank receipt, pass on to whomever inputs data into the accounting system.

To protect children, you should have a policy that does not allow children to be couriers of money.

DISCOUNTS/ECONOMIES OF SCALE

Generally speaking, there are 3 ways to purchase:

Passively: Don't ask any questions. Just pay whatever the advertised cost is without question.

Reasonably: Look for items on sale or purchase items at times when they are on sale. Take advantage of vendors who advertise discounts.

Frugally: Actively ask about special prices for non-profits or education institutions.

Ask about pricing at the beginning of the vendor relationship, before you decide to make your purchases. A store may have a 10% sale, but offer a 20% discount for education institutions. Consider larger volume purchasing by combining with others who need the same product or service. Identify any special rates for paying early or on time and fees for late payments.

At the same time, an over-emphasis on cost efficiency might take you in a direction out of touch with your teachers' and students' actual needs.

Keep a calendar by month to note dates that certain payments are due. There are specific months, weeks, and days when items must be submitted, e.g. payroll tax payments (generally 3 business days after pay date, unless taxes due exceed \$100,000, then tax payment is due the next business day). Missing important time lines can result in substantial penalties. A simple monthly reminder file helps the organization which has substitute or new personnel from time to time, fulfilling these functions.

Economies of Scale:

Volume is an important factor to achieving low cost. Collaborating with others to purchase may provide an advantage, if other firms or businesses need the same goods and obtain lower prices by buying in quantity. Check with schools, hospitals, businesses about products and services you might need. Explore the possibility of purchasing fuel or other expensive goods and services from another business whose volume provides a lower rate.

ENCUMBRANCE SYSTEM

A school's best chance of monitoring financing is to encumber all purchase orders prior to payment. This shows the anticipated expense in account balances. This method gives a more accurate picture of actual balances.

Failure to encumber expenses and show actual and encumbered expenses in reports can easily result in over-spending the budget or having multiple employees make purchases against a balance that doesn't exist.

EXPENSE REIMBURSEMENT

The overarching principle covering reimbursement of expenses is that personnel and board members shall be reimbursed the actual cost for reasonable and necessary authorized expenses incurred that are Board/school business-related. Reimbursement generally allows for costs incurred by personnel for registration fees, travel, long distance phone charges, meals, and accommodation when attending approved conferences, seminars, and workshops.

The nature of expense reimbursement is that the employee has made initial payment, and then seeks to be reimbursed. Many school personnel make out-of-pocket purchases for their classes, obtain reference books, and attend courses and seminars. Your school can allow teachers to pick up supplies they need and be reimbursed. This system must have some shape or guidelines, however, so the limit of the total annual reimbursed expense is within budget. This is a system that can bring flexibility to teachers and efficiency in obtaining supplies needed for tomorrow's science experiment, but can also raise havoc with your effort to manage expenses.

Considerations for managing requests for expense reimbursement include:

- Clarify purpose of in-office guidelines,
- Have school business expenses approved by the office manager or supervisor in advance of the purchase,
- Realize advance discounts on registration fees whenever possible,
- Commercial travel should reflect economy fares; employees should be encouraged to travel by the most economical mode whenever feasible,
- Encourage shared transportation,

- Have a system—guidelines—that outlines purpose, system, and timeline for submission of requests for reimbursement,
- Assure requests for reimbursement are itemized.

Rates for reimbursement should be established and reviewed as part of the budget process.

FEDERAL FUND GRANTS

RSA 194-B:11, IV: Any federal or other funding available in any year to a sending district shall, to the extent and in a manner acceptable to the funding source, be directed to a charter or open enrollment school in a receiving district on an eligible per pupil basis. This funding shall include, but not be limited to, funding under federal Chapters I and II of Title II, and Drug-Free Schools, in whatever form the funding is available in any year.

FILES TO MAINTAIN: VENDOR, EMPLOYEE, MONTHLY ACTIVITY, SCHOOL

VENDOR: A sensible way to set up files is to have an A-Z alphabetical order system—with Vendors filed by the business billing name. Each check written can be attached to all the vendor paperwork that justified that payment, and then filed by date within that vendor’s file.

EMPLOYEE: Files should be set up for employee information, such as I-9s, W-4s, employee agreements, correspondence, reviews, insurance additions/changes and the like. Alphabetical order (A-Z) would be the suggested method. Employee files should be kept locked and only authorized personnel should have access to these files.

MONTHLY ACTIVITY: This might consist of monthly reports generated and distributed. The suggested method would be to file by title of report.

SCHOOL: These should be filed by subject.

FISCAL YEAR(S): STATE, FEDERAL, IRS

Fiscal year is guaranteed to be confusing, but financial managers need be aware that a school system has to juggle three fiscal year calendar systems at once:

IRS Fiscal Year:	January 1 st through December 31 st
School Fiscal Year:	July 1 st through June 30 th (crosses 2 calendar years; the latter or second calendar year is how the school fiscal year is referenced, e.g. the 2003-2004 school year beginning July 1 st , 2003, is Fiscal Year 04 (FY 04))
Federal Fiscal Year	October 1st through September 30th

FORMS

Forms you should have printed: Purchase orders, invoices, & checks, with number tracking systems

Forms you purchase generically or make yourself: Reimbursement forms, hourly wage forms, receipts, memorandum, business cards, letter head, leave requests (to conform to leave program)

Forms other agencies require: obtain these and keep samples for use when you need them. It is no fun racing around looking for a form you need. Gather forms needed for these functions in advance.

Criminal History Record Check
Professional Certification
Statistical Data Reporting
Federal Grant Reporting
Student Data Management
Year-end Reporting
Medical and Health Recording and Reporting
Benefit Matriculation and Discontinuance
Workers Compensation Reporting
Department of Revenue Administration
Year-end Reporting
Notification to Police

FUNDING, CHARTER SCHOOL

A charter school may “*receive and disburse funds for school purposes*” (RSA 194-B: 5, III, (d)).

Effective July 1, 2003, RSA 194-B, Charter Schools and Open Enrollment Act provides two (2) methods of receiving funds for financing charter schools, depending on whether or not the school is authorized by the local legislative body or the State Board of Education.

Statutory wording is found under “Charter School Laws.”

GRANTS

Grants can be local, state, or federal. Each one carries with it specific terms and reporting requirements. Be sure that all requirements are followed to the letter. Failure to do so may mean losing any future funding.

Because accurate reporting requirements are crucial, it is extremely important to make sure grant activity funds are kept separate from non-grant activity funds. This is accomplished by setting up specific codes/funds in the accounting system to track expenses and revenues for each and every grant.

HANDBOOK FOR FINANCIAL MANAGEMENT

An office Handbook for Financial Management is written by your staff for your school. It is a working document of all the details of how your specific financial and business system works—where items are located, system of filing and accounts, names of vendors from whom you purchase special supplies, routines used for handling various tasks.

The problem with one very knowledgeable person keeping all this information in his/her head—when the head is not there, no one knows what to do. The purpose of a financial management handbook, then, is to keep important information in a reference notebook, frequently updated, giving all the budget and account management details and routines. The list of items to include will grow as the detail of your system grows or changes, e.g. school policies, operational guidelines and routines, how-to memos for personnel, names of back-up assisters, clarification as to what is posted in your own accounting codes and systems.

INFLATION

Our inflation rate—a measure of how prices gradually increase-- has averaged approximately 3% per year since the 1920s, although in recent years this has been lower. As a school, you buy many goods and services. So planning ahead, e.g. budgeting, must take into account the future costs of goods and services.

This generally means that to maintain the same amount of goods and services, you will need to plan for a certain amount of increased revenue each year—that is, if you continue to need all the goods and services in your current budget.

Techniques schools and businesses use to hedge inflation and keep costs down include:

- *find better and more efficient ways of purchasing goods and services
- *initiate or join in a cooperative purchasing effort
- *restructure how services are provided, assuring quality and taking into account training
- *encourage employees and stakeholders to identify areas where conservation is possible
- *check with utility providers regarding energy conservation programs
- *occasionally compare competing service provider costs, e.g. insurance, long distance, trash removal, fuel

INSURANCE

As a public school, you will need a variety of insurance programs--Property, Liability, Errors and Omissions, and Workers Compensation, to name a few. Schools need insurance protections in the event of claims. Certain programs are required, such as Workers Compensation. You will need some variety of benefit insurances as part of a total compensation package for personnel, e.g. health insurance, even if you offer a choice program.

In purchasing insurances, you should obtain quotes from several reputable agencies, get references and talk with representatives themselves. To compare, you need to know:

- *who and what is covered
- *who and what is excluded
- *what is the deductible
- *what is the quality of the underwriter
- *what types of riders might you need for operations

In developing a total compensation package for your full-time and part-time employees, you will need to consider what insurance programs, if any, will be offered to what category of employees. In this area, new schools and businesses truly need cost and program information before offering specific benefits.

It is important to obtain several quotes and to meet with representatives. Due to the high cost of insurance, it may be necessary to consider employee contributions for a certain amount or percentage towards the monthly premium, to offer a program with a higher deductible, or to offer the program fully to the worker and with buy-in for family members.

INTERNAL CONTROLS

SAFEGUARDS TO PROTECT YOUR SCHOOL

A. Internal Control, Understanding:

Separating duties or reviewing work requires employee and board attention and self-discipline. The goals of internal controls are double-checking work for accuracy, safeguarding assets, removing financial temptations, promoting efficiency, and having confidence in your financial system and information. A strong system of financial controls fulfills a board's fiduciary responsibility. Auditors often document management attitude about internal controls, checking to see if the Board has taken accounts management seriously and has policies for internal controls in place.

1. Separation of Duties:

Three areas of responsibility should be handled by separate personnel:

- a) authorization of transactions,
- b) receiving cash and having custody of an asset, and
- c) recording the transaction.

Having one person handle 2 of these functions can lead to unintentional problems; however, small organizations with limited personnel need to divide these functions at least between two people.

2. Authorization and Documentation.

General authorization is the broad power given by the Board to the school coordinator/administrator to operate. The Board defines its exceptions.

Documentation provides an audit trail for understanding transactions and gives a historical basis for controlling future transactions

3. Access: Access controls means protecting your data to a reasonable extent--having back-up data files or a fire proof file cabinet for the most essential documents. Limiting access to data also is an access control so that your documentation does not become confused or lost. Most documents in a public school's financial system are public documents that others may request to see. Exceptions include documents with confidential personal information.

4. Comparability: Preparing monthly reconciliations of all bank accounts is the essential method of comparing assets to the recorded transactions

B. Internal Controls, Specific Suggestions

1. Clear Board policies and budget management guidelines that define authority and responsibility for financial operations
2. Consistent operating style and discipline having to do with financial transactions
3. Job descriptions that clarify adherence to established financial practices
4. Well-defined financial management routines in place and in written form
5. Training in financial management routines for Board and administration, e.g. part of orientation, so people know the system in place
6. Frequent reports about budget and status of accounts to assure everyone is on track
7. Board member or subcommittee on finance with specific oversight for financial process, usually someone experienced in financial matters
8. Adequate measures to assure control of access—locked files, back-up system with backed-up files kept off site
9. Pre-numbered purchase orders, invoices, and checks, for accurate tracking
10. Background checks on employees handling money
11. Back-up procedures for handling books and accounts when key personnel are

absent

12. System for frequent reconciliations of accounts
13. Care in identifying and reporting delinquent receivables
14. Board approvals or directives related to budget recorded in minutes
15. All checks received stamped with “for deposit only” restrictive endorsement
16. Duties for receiving cash, depositing cash, and recording the transactions handled by different people
17. supporting documents available to treasurer for check signature and release of funds
18. monthly reconciliations handled by experienced person, even if CPA is hired for this purpose
19. all payroll amounts and changes documented and approved
20. separate checking account for payroll expenses and receipts

LABOR, NEW HAMPSHIRE, DEPARTMENT OF

The Department of Labor monitors employers, Workers Compensation, and insurance carriers to ensure that they are in compliance with New Hampshire labor laws. These laws range from minimum wage, overtime, safety requirements, and Workers Compensation. It is the mission of the Department of Labor to serve and protect the interests and dignity of the New Hampshire workforce.

The Department of Labor has 4 suggestions for employers to stay violation free:

- Know the labor laws.
- Call the New Hampshire Department of Labor prior to implementing new employee policies to ensure compliance with the New Hampshire labor laws.
- Call or visit the Department of Labor's web site once a year to request updates on any possible new laws or rules (there is no charge for this information).
- Contact the Department to schedule free training for staff or managers on the New Hampshire Labor laws and rules.

LETTERS: TYPICAL NEEDS

In the course of a year's operation, you will need certain notices and letters for routine use. Certain letters—permissions and notices--may need legal or technical advice to assure proper wording.

Having well-written, operational notices developed in advance is another way to prepare for a smooth start. You might check with a colleague in a school business or personnel office for sample letters used routinely which they know are good quality, e.g. how to handle purchases and cash in schools, reminder notices for early or late release days, notices of non-discrimination, notice to bidders, notice for price quotes.

MONTHLY FINANCIAL REPORTS

The typical reports printed at months end are the balance sheet, income statement, trial balance, expense, revenue, cash flow and reports which provide other information such as encumbrance and open accounts payable and receivable. The reports that will most likely be passed on to Board members and/or administrators would be the balance sheet, income statement, expense, revenue and cash flow.

One important monthly function is the reconciliation of accounts. This must be completed prior to finalizing any of the reports mentioned above. To reconcile accounts, your budget manager uses a trial balance, working line by line, and making sure balances are correct. For example: all cash accounts will have a bank statement that needs to be reconciled. If the balance on the bank statement(s) and trial balance do not agree, adjustments may need to be made to either/or. The open accounts payable balance should agree with an open accounts payable report. The balances on the trial balance should also agree with balances on the balance sheet and/or income statement. Any and all corrections that can be made in the accounting system should be made prior to printing “final” reports for distribution.

OFFICE SET-UP: EQUIPMENT AND FILE NEEDS

A school may outsource business and budget operations in whole or in part. If the plan is to have an administrative office that handles business and budget items, then certain equipment and furniture is needed. Furniture does not have to be new, but a financial officer should have current computing equipment and software. The following list of items will assist in establishing a business and financial office:

- Connectivity: phone(s), fax, internet access, web page, e-mail
- Office Supplies: letterhead, envelopes, computer/copy paper, pens, pencils, tape, staplers, staples, file folders, file hangers, white out, date stamp, disks, message books, small fireproof safe, surge protectors, extra cartridges, stamps, receipt books, labels, etc.
- Office Paperwork Printing: purchase orders, checks, envelopes
- Office Equipment: fax/copier/scanner, computer(s), printer(s) that can generate any required complex reports, calculator(s) with tape, phone(s)/pager(s), messaging system, certain records
- Office Furniture: desks, adjustable height desk chairs, file cabinet, work table, chair, fireproof file cabinet for select records

PAYMENT SCHEDULE

ROUTINE, AND OPTIONS

Whether payments are handled internally or outsourced, the school needs a routine for payment processing. Without a routine, time and resources are wasted handling these matters all the time.

How frequently will the charter school pay personnel—weekly, bi-weekly, monthly? How often will the school process accounts payable bills and obligations? Whatever the decision, the school needs to clarify its payment and payroll policy to personnel and vendors. Procedures must be in place as to when time cards will be due to process payroll and the cut-off date for processing accounts payable.

Here are three sample guidelines:

Sample 1: Payroll and accounts payable will be paid on the 15th and 31st of each month. If the 15th or 31st falls on a weekend or holiday, then payment will be made on the previous workday.

Sample 2: Payroll and accounts will be handled weekly. Bills must be received by Wednesday to be processed the following Friday.

Sample 3: Payroll is handled once monthly and forwarded to personnel through direct deposit to the bank of choice. Accounts payable are also processed monthly, on the 20th of each month. The financial officer will make exceptions for accounts payable in emergency situation.

Labor laws require the employer to issue pay every week—within 8 days of actual work. If you wish to pay monthly or bi-weekly, you must file with the Department of Labor to do so. The Department of Labor guidelines follows:

Lab 803.02 Payment of Wages.

(a) Pursuant to RSA 275:43, I and II, every employer shall pay all wages due to his/her employees within 8 days, including Sundays, after the expiration of the workweek on regular paydays designated in advance. Biweekly payments of wages shall meet the foregoing requirement if the last day of the second week falls on the day immediately preceding the day of payment. Payment in advance and in full of the work period, even though less frequently than biweekly, also meets the foregoing requirement.

(b) Every employer who requests permission to pay less frequently than required by RSA 275:43, I, shall supply the department with the following:

- (1) Method of payment;*
- (2) Whether biweekly; or semi-monthly or monthly;*
- (3) When each pay period begins and when each pay period ends;*
- (4) Designated payday;*
- (5) Classification of employees;*
- (6) The salary range of the employees involved; and*
- (7) The employers' federal identification number.*

PAYROLL OPTIONS, SERVICE

There are several options for taking care of your payroll obligations.

Outsource:

- a) There are several agencies that provide payroll services. These agencies also take care of payroll tax payments and reporting. Make sure any agency you may be considering is highly recommended.
- b) Individuals with bookkeeping/accounting experience may also offer to take care of your payroll services.
- c) An area business or school may be persuaded to incorporate your payroll into their already established payroll system, even though the nature of its business is not specifically “payroll.” This service could be for a fee, or it could be a contribution of the business to the support of your school.

Hire:

- a) There are advantages to having your own part-time person come to your location and handle your records. At the same time, the advantage of your own person is not fully lost by the person working off-location.
- b) If you will be processing payroll in-house, it is extremely important that the person doing so is knowledgeable with payroll taxes, due dates, reporting and the rules and regulations regarding exempt vs. non-exempt workers.

PETTY CASH SYSTEM

Schools need a system for petty cash—other than someone reaching in his/her pocketbook every time \$2.00 is needed for stamps.

Decide a petty cash amount to keep on hand--\$50 or under. To set up petty cash, make out a purchase order and process through the accounting system. Whoever will be the keeper of the petty cash will be responsible for recording all transactions in and out and collecting receipts needed to replenish the account.

The account needs to be reconciled and replenished occasionally, with actual expenses posted to the proper account, e.g. supplies.

POLICIES FOR FINANCIAL MANAGEMENT

Public school boards typically have their basic philosophy of money and budgeting committed to policy. This is not the details of who does what and when (administrative guidelines) but, rather, are commitments as to how the organization is going to be financially managed. Basic Board financial sample policies are included in Appendix A.

The Board of Trustees cannot oversee every transaction, nor should they. They cannot constantly communicate their point of view or philosophy to different workers or consultants handling their money. Thus, a basic set of Board budget policies clarifies for the entire organization what the Board of Trustees' approach and commitment is to managing funds. Budget policies need to be distributed to money handlers at all levels.

Anyone working for the charter school must understand the importance of very careful system of budget management. Employees must understand that they work in compliance to board policies. If the policies are too tight or loose and need to be changed, then suggestions for policy revision need to be communicated to the board.

REFERENCE MATERIALS

Where is that Workers' Comp guideline for filing accidents? Someone fell today on location and the business officer must immediately know how many hours can go by before the report must be filed. What is your school's guideline for bidding?

Whoever is handling your business and financial affairs will need reference materials. Gathering these in advance of operations saves time and sets a standard that the Board expects people to check and make sure the system operates accurately.

In some cases this may mean a few reference books, pamphlets, notices and forms kept in a binder. In all cases staff should have the technical guidelines that govern specialty operations. A copy of the school's charter should be available.

Suggestions:

- 1) Books for general reference: accounting, workplace,
- 2) Dictionary
- 3) Equal Employment Opportunity Commission guidelines re Sexual Harassment and notice requirements
- 4) Equal pay act (minimum pay legislation)
- 5) Fair Labor Standards Act
- 6) Federal & State guidelines that apply
- 7) New Hampshire Department of Education
- 8) Chart of financial accounting codes
- 9) New Hampshire Education Laws Annotated (each year)

- 10) New Hampshire Department of Revenue Administration
- 11) Guidelines/forms that may apply to charter school
- 12) Internal Revenue Service guidelines that will be used
- 13) State Retirement System guidelines
- 14) Occupational Safety and Health Act (OSHA)
- 15) Duties of Employers

RENEWAL, OF CHARTER

The most important operating contract the charter school has is the charter itself...for the authorized charter allows the school to operate.

Accordingly, managers of the school must be aware that the charter is granted for a 5-year period and must be renewed prior to the charter's 5-year term conclusion for the charter school to continue. At least a year prior to the original charter's expiration date, Trustees should develop a plan for assuring the charter school develops its renewal request. A renewal filed in timely fashion will allow ample time for discussion, decision, and, if necessary, appeal.

A charter is renewed for seven (7) years (RSA 194-B: 3, X). The charter is renewed using the same basic procedures followed for initial authorization except that adoption procedures are not again necessary under the local authorization model.

REPORTS TO DESIGNATED ADMINISTRATORS, BOARD OF TRUSTEES, STATE

The Board of Trustees has a statutory responsibility to report to the authorizer at least quarterly *“for public information purposes only, regarding the progress of the charter school’s achievement and stated goals.”*

Requirements for these reports must be agreed upon between the charter school Board of Trustees and the authorizer or authorizer’s designee before any report is written and received (RSA 194-B: 5, IV). *“The quarterly report shall include, but not be limited to, a “financial statement.”*

For charter schools authorized by the local legislative authority, the charter school Board of Trustees provides quarterly reports to the school board. For charter schools authorized by the State Board of Education under RSA 194-B: 3-a, *“the board of trustees shall report to the state board of education, or its designee, on a quarterly basis regarding the charter school’s progress in achieving its stated goals.”*

Further, *“the charter school may request technical assistance or advice from the department of education. The department of education shall assist the charter school in developing a quarterly report that is mutually acceptable, provided that each quarterly report shall include a financial statement. The quarterly report shall be available to participating school districts and parents of children attending the charter school.”*

SOFTWARE,

FUND ACCOUNTING SOFTWARE PACKAGE

When shopping for an accounting software package, be sure it is set up for fund accounting. Various reports are required by both the Department of Education and Revenue Administration; therefore, the accounting system must be able to provide the data necessary to compile these reports. Your auditor may advise which software packages are recommended and which packages should be avoided.

Again, asking for price quotes, references and talking with vendors is extremely important in helping to make this decision. If at all possible, visit schools using different software packages and observe them in action.

STATEMENT OF PURPOSE

New Hampshire's charter school and open enrollment legislation has a statement of purpose. It is good to keep this in mind in all of your business operations:

RSA 194-B:1-a Statement of Purpose:

"It is the purpose of this chapter to:

- I. Promote and encourage the establishment and operation of charter and open enrollment schools in New Hampshire,*
- II. Encourage school districts to allow public charter and open enrollment schools.*
- III. Encourage the establishment of public charter schools with specific and focused curriculum, instruction, methods, or target pupil groups.*
- IV. Improve pupil learning and increase opportunities for learning.*
- V. Exempt charter schools from state statutes and rules, other than where specified, to provide innovative learning and teaching in a unique environment.*
- VI. Enhance professional opportunities for teachers.*
- VII. Establish results-driven accountability for public charter schools and require the measurement of learning.*
- VIII. Make school improvement a focus at the school level.*

TAX IDENTIFICATION NUMBER & EXEMPTION

A Federal Tax Identification number, known as a TIN, is either

- a) the Social Security number of an individual, or
- b) the Employer Identification Number of a business, fiduciary or other organization.

An entity or business must file for a Tax Identification Number or Employer Identification Number if any of the following are true:

1. You are a corporation or partnership
2. You pay wages to one or more employees
3. You file pension or excise tax returns.

Tax Exempt Status

The charter public school is a non-profit corporation. The Board needs to request and obtain non-profit status and a Tax Identification Number for the many times the school will need this for purchase discounts, tax reporting, sales tax exemptions, and providing donors a potential tax deduction.

TIME SHEETS

Time sheets are required for all hourly staff and, in some cases, salaried staff.

Time sheets are used to process employee paychecks based on number of hours worked (for hourly employees) for a specified period of time. These records track sick, vacation, and holiday leave; track specific jobs or tasks; and track overtime entitlements. Time sheets become a legal record in any future dispute over wages.

It is sometimes desirable to have different time sheet formats for different groups and/or different work periods/hours, depending on the information needed.

TRANSPORTATION

According to statute (RSA 194-B:2, IX): “*Attendance at a charter school for the purposes of transportation shall not constitute assignment under the provisions of RSA 189:6 and RSA 189:8. Pupils who reside in the school district in which the open enrollment or charter school is located shall be provided transportation to that school by the district on the same terms and conditions as provided for in RSA 189:6 and RSA 189:8 and that transportation is provided to pupils attending other public schools within that district. However, any added costs for such transportation services shall be borne by the charter school. For purposes of open enrollment, neither the sending nor the receiving school district shall be obligated to provide transportation services to pupils attending an open enrollment school outside the pupil’s resident district.”*

Charter schools must collaborate with the district in which their school is located regarding school transportation. Charter schools often are helpful to parents and school districts sending students from outside the host district boundaries, but they are not obligated to provide transportation. In other states, examples are found where 1) the sending district provides transportation (may be a situational reason to do so), 2) the parents from various regions make car pooling or van arrangements for transportation, or 3) the parents from various regions actually pay a transportation fee for a bussing service to transport their children.

TUITION BILLING

A system must be set up for tracking and billing for all students and particularly any out-of-district tuition students. The designated person for tracking tuition students coming and going should provide accounting department staff with the necessary information for billing the sending district or other party. Accounting staff should also monitor payments made to ensure that full payment is received.

Although sometimes difficult, personnel handling forms and billing related to students need consultation as to how and when student names can and cannot be on a specific student bill. The Department of Education, Bureau of Special Education, will provide clarification.

TUITION STUDENTS

New Hampshire's Charter School statute states: “...*charter schools shall have all the rights and privileges of other public schools* (RSA 194-B: 3, I).”

Traditional public schools in New Hampshire have the right to accept students for whatever tuition rate the School Board determines. All types of arrangements are seen in New Hampshire, where individual public schools have spaces available to fill through tuitioned-in students. Traditional public schools may accept students tuitioned from anywhere, by anyone. There are situations where school districts themselves request out-of-district placements and pay student tuitions to other public schools. Certain New Hampshire public schools find that parents also request placement (when their school district will not send them to the desired out-of-district school) and the parents pay their children's tuition to an out-of-district public school.

The charter school law has a clear statement that no resident student can be charged a tuition—“there shall be no tuition charge for any pupil attending an open enrollment or charter conversion school located in that pupil's resident district “ (RSA 194-B:11, I). In constructing a charter application, however, establishing numbers of in-district and out-of-district students is a component of the overall plan and has a critical impact on funding and cooperative planning with the host school district.

Under the statutory revision of the Charter School and Open Enrollment Act, effective July 1, 2003, a limit of 10% of resident students per grade are eligible to attend a charter school unless the School Board agrees to a larger percentage of students:

194-B:3-a, V, (c): *“Not more than 10 percent of the resident pupils in any grade shall be eligible to transfer to a charter school in any school year without the approval of the local school board.”*

VENDORS

Any individual, group, or organization with whom you do business but that is not an employee, is a vendor. All vendors are required to provide a Tax Identification Number prior to receiving payment for goods and/or services. Sole proprietors may use their Social Security number for a Tax Identification Number.

At year's end, 1099s must be sent to certain vendors for specific payments they received from you, if over a specified dollar amount. (See 1099 instructions for more details).

Your accounting system should track all vendors, their addresses, TIN or SSN, and amounts paid them for any given period of time. For IRS 1099 reporting purposes, the timeline covered should be January 1 to December 31 in any year. Your office must have the capability of printing 1099's.

WAGE AND HOUR LAWS

Employers must be sure their pay is regulated by state and federal wage and hour laws. These are subject to change, and so from time to time it is essential to check wage and hour information.

Unless exempt by the Fair Labor Standards Act, **overtime** is paid to hourly employees at the rate of time and one half of the employees regular rate of pay for all hours actually worked over forty in any one week

(from the New Hampshire Department of Labor Web site):

What is the minimum wage?

The minimum wage is \$5.15 per hour. (RSA 279:21).

When must overtime be paid?

Unless exempt by the Fair Labor Standards Act, overtime is paid to hourly employees at the rate of time and one half of the employees regular rate of pay for all hours actually worked over forty in any one week. (FLSA) (RSA 279:21 VIII)

Is there a law concerning a lunch period?

An employer cannot require that an employee work more than five consecutive hours without granting a thirty minute lunch or eating period. If the employer cannot allow thirty minutes the employee must be paid if they are eating and working at the same time. (RSA 275:30-A).

WORKER CATEGORIES

EMPLOYEES VS. INDEPENDENT PROFESSIONALS

It is extremely important to classify individuals accurately, either as “employee” or “independent professional.” By not doing so, you could be faced with penalties from the IRS as well as having to reclassify individuals for the period of time that they had been incorrectly classified. Errors can result in additional payroll and benefits having to be paid for the period of time in question. Clear guidelines exist for classification of workers:

When is a worker an “employee?”

Section 3121(d)(2) of the Internal Revenue Code (IRC) clarifies that the term "employee" means any individual who, under the common law rules applicable in determining the employer-employee relationship, has the status of employee. Giving someone the title of “consultant” or “independent professional” doesn’t determine the proper classification. The IRS examines the facts and circumstances of each situation and analyzes specific characteristics, such as behavioral and financial control. The relationship between the employer and the individual performing services defines whether the individual is properly classified as an “employee” or an “independent contractor.”

Employee: An individual who performs services where you (the person paying) direct and control the person’s work. The employer can allow the employee considerable discretion and freedom of action, provided that in the end, the employer has the legal right to direct or control the work.

Once an employer-employee relationship is established, the employer is required to withhold the appropriate income and employment taxes. Penalties may be imposed by the IRS in instances where the employer fails to properly withhold such taxes.

Independent Contractor: An individual who performs services where you (the person paying) do not control the person's working but you do have the right to control or direct the result of the work... not the means and methods of accomplishing the result. If the worker is classified as an independent contractor (plumber, curriculum developer, janitor service), you are not responsible for withholding income and employment taxes. For "independent contractors" you are responsible for reporting compensation over \$600 on Form 1099-MISC, Miscellaneous Income to the IRS.

APPENDIX A – SAMPLE FINANCIAL POLICIES

Fiscal Management Goals

The Board will be vigilant in fulfilling its financial responsibility, using funds as wisely, efficiently, and carefully as possible.

The Board is committed to the following goals in its fiscal management:

1. To engage in advanced planning, carefully forecast anticipated financial needs, and seek out varied sources of revenue to meet those needs,
2. To maintain flexibility and business-mindedness during the year, applying funding where they are needed, even if other than planned—to withhold spending, if time and clarity show a planned expense is not essential,
3. To encourage a conservative spending ethic and approach to expenditure needs, including but not limited to recycling paper, being resource-efficient with energy, and using available property and transportation services,
4. To prioritize dollars available for the greatest educational return and the greatest contributions to students and their educational program,

5. To find resources so students and teachers have the essential supplies they need to meet educational program goals,
6. To use budget projection methods that clarify quarterly and year-end expenditure needs,
7. To provide timely information to all staff related to budget and methods for requesting and managing money within the school,
8. To adopt careful procedures for accounting, reporting, business, purchasing and delivery, payroll, payment of vendors, and contractors, and all areas of fiscal management,
9. To hold a high standard for ourselves and others as regards conflict of interest, and impartiality in the awarding of contracts for good and services.
10. To sustain an entrepreneurial spirit, attempting each year to find new sources of revenue, innovative ways to meet expenditures, and to save and invest wisely any available resources.

APPENDIX A – Sample Financial Policies

Annual Budget

The Board recognizes that one of its primary responsibilities is to review and approve an annual budget, and to secure adequate funds to carry out the educational program.

The Board will assure that the budget is prepared and presented early enough in each annual cycle to allow for discussion and research. The Board expects all its school members to do their part to clarify both essential and wishful needs, providing back up materials.

The annual school budget process is an important charter school function and should serve as a means to communicate the school's program.

APPENDIX A – Sample Financial Policies

Fiscal Year

The <name> charter school follows a fiscal year defined as beginning the first day of July and ending on the thirtieth day of the following June.

APPENDIX A – Sample Financial Policies

Budget Implementation

The <name> will assign responsibility for administering the operating budget.

The assigned budget administrator and his/her designee(s) are authorized to implement the budget subject to review by the Board and will follow these provisions:

1. That all budget actions are consistent with New Hampshire law, generally accepted accounting industry standards, and board policy,
2. That all expenditures of funds are made in accordance with the requirements of the State of New Hampshire and adopted board policy,
3. That revenue from any Federal or State sources are implemented in accordance with any specific federal or state laws or requirements,
4. That financial reports are presented to the Board so the Board is informed of current and future financial matters,
5. That all accounts are audited annually.

APPENDIX A – Sample Financial Policies

Income From School Sales and Services

All receipts from any school sale, program, or service shall be adequately controlled.

Adequate records shall be maintained by the on-location supervisor or designee in accordance with guidelines provided by the school's financial manager, with chronological accounting data for subsequent review and analysis.

APPENDIX A – Sample Financial Policies

School/Student Activity Accounts

The <name of charter school> may develop and maintain school/student activity accounts, as determined by program and need.

All receipts and expenditures related to school/activity accounts shall be adequately controlled.

Adequate records shall be maintained by the on-location supervisor or designee in accordance with guidelines provided by the school's financial manager. Detailed chronological accounting data shall be maintained for subsequent review and analysis.

The school/student activity accounts will be reviewed internally, as needed, and audited annually.

APPENDIX A – Sample Financial Policies

Authorized Signatures

Checks drawn on the general fund and any special fund (with the exception of student activity accounts) will require the signature of the charter school Treasurer.

Checks drawn on a school/student activity fund will require the signature of the building supervisor.

APPENDIX A – Sample Financial Policies

Inventories

To serve the functions of conservation, planning, budgeting, insurance, and control, an inventory will be maintained at the charter school's administrative office:

The school's inventory shall address all facets of the school's operation including administrative, maintenance, and instructional functions. Items immediately needing or soon needing replacement should be identified.

Areas of inventory shall include:

- 1) Buildings, out-buildings, and grounds,
- 2) Vehicles,
- 3) General equipment,
- 4) Technology equipment, software, and licenses,
- 5) Textbooks, instructional programs, and supplementary educational materials/texts.
- 6) Reserve supplies, e.g. 6-months supply of floor wax.
- 7) Furniture

Each employee shall be responsible for maintaining an inventory of assigned classroom, other spaces, and storage areas used, so that all areas are included in the comprehensive inventory.

All classroom inventories shall be updated annually, no later than the second week of June. Two copies of the inventory shall be filed at that time with the building administrator who shall promptly forward one copy to the district's financial officer and retain the second copy at the Charter School Office.

APPENDIX A – Sample Financial Policies

Annual Audit

There shall be an annual independent audit of the <name> Charter School financial records. The Board shall select an auditor, review the auditor's report, and take any needed action to assure that financial management is of a highly accountable public standard.

APPENDIX A – Sample Financial Policies

Procurement of Goods and Services

The Board declares its intention to purchase wisely and competitively, without prejudice; to promote creative options for meeting the needs of the school; and to maximize educational value for every dollar expended.

The acquisition of supplies, equipment, and services will be centralized, with coordination between the charter school supervisor(s) and the financial manager. The board assigns responsibility for all purchasing and procurement decisions to <position>.

The primary factors governing this responsibility for the quality, quantity, and type of procurement or purchase made is that all decisions fall within the framework of budgetary limitations and be consistent with the approved educational goals and programs of the charter school.

The Board welcomes suggestions from members of its school and business community for meeting these intentions.

School Properties Disposal Procedures

The Board authorizes disposition of obsolete items according to the following priority actions:

1. By selling to the highest bidder or whatever other business arrangements is in the best interest of the Charter School.
2. By donating, when practical, such items to charitable organizations and schools
3. By giving such items to local citizens
4. By removal to the dump, or appropriate refuse facility.

Sale of real estate will be made by the vote of the electorate of the charter school board at an annual or special meeting, and the revenue derived will be placed in a capital reserve fund to defray costs of future capital expenses.

Items purchased with federal funds will be disposed of according to federal guidelines.

Cash in School Buildings

Money, all monies, collected by school employees and student treasurers shall be handled with good and prudent business procedures. All money collected shall be maintained by pre-numbered receipts, accounted for, and directed without delay to the proper location of deposit.

In no case shall more than \$100.00, one hundred dollars, be left overnight in schools, except in safes proved for safekeeping of valuables. All schools shall provide for making bank deposits after regular hours to avoid leaving money in the school overnight.

Expense Reimbursement

Charter School personnel and officials who incur expenses, approved in advance by the Board or its designee, in carrying out their authorized duties may be reimbursed by the Charter School upon submission of a properly filled out and approved voucher and such supporting receipts as required by the [administrator/director/principal] responsible for business affairs and fiscal management. Such expenses may be approved and incurred in line with budgetary allocations for the specific type of expense.

When official travel by personally owned vehicles has been authorized, mileage payment shall be made at the rate currently approved by the Board.

All travel outside New England (or specifically designated area) must have prior written approval by [].

Payment Procedures

It is the policy of the Charter School that all disbursements made on behalf of the Charter School shall be processed according to the provisions of RSA 107:23-a:

The treasurer shall have custody of all monies belonging to the [Charter School] and shall pay out the same only upon orders of the [Charter School Board] or upon orders of two (2) or more members empowered by the school board as a whole to authorize payments...

Payments by the treasure shall only be authorized on the basis of the signature of two or more school board members; provided however that, when a payroll manifest is due between board meetings, the treasurer is authorized to pay on the signature of [] by the board at the next meeting of the board.

Sales Call and Demonstrations

Sales representatives are not permitted to call teachers or other school staff during the school day without authorization from the Charter School administration.

Charter school administrator/principal/director may give permission of sales representatives of educational products to see members of the staff at times that will not interfere with the educational program.

Approval of Purchases

In accordance of policies of the [], the [] and his/her designees shall have the authority, within the limits of major appropriations of the budget approved by the board, to approve and direct all purchases and expenditures.

The [] recommend to the Charter School Board transfers from one budgetary appropriation to another as conditions may require.

Cooperative Purchasing

The Charter School I Board authorizes [] to join in cooperative purchasing with other districts/schools to take advantage of lower prices for bulk purchasing and to reduce the administrative costs involved in bidding whenever it is in the best interest of the Charter School.

Local Purchasing

It shall be the policy of the Charter School to purchase locally, provided goods of equal quality and at competitive prices are available from local suppliers.

The Charter School purchasing agent should not feel bound to purchase any item locally that can be secured at a saving to the Charter School from outside sources, nor shall he/she feel bound to purchase locally unless adequate services and delivery can be given by the local supplier.

Bidding Requirements

Formal bidding procedures will be used for service contracts anticipated to cost more than \$5000.00, five thousand dollars. When specifications are needed, they shall be:

1. prepared by the administration
2. approved by the Charter School Board, or designated subcommittee,
3. mailed to any identifies potential bidders.

Bidding requirements will include:

1. all bids shall be submitted in sealed envelopes and plainly marked as indicated in the bid specifications,
2. bids will be publicly opened and at an announced time, on a specific date.

The Charter School Board reserves the right to reject any or all bids and to accept that bid which appears in the best interest of the Charter School. The Charter School Board reserves the right to waive any informality in, or reject, any part of a bid. The Charter School Board reserves the right to negotiate with the successful bidder.

The bidder to who the award is made will be required to enter into written contract or service agreement.

A report on small contracts that are let by [] shall be brought to the Charter School Board.

Petty Cash Accounts - Management Regulations

Building administrators shall administer petty cash funds for their Charter School as follows:

1. No purchased will be reimbursed through a petty cash account unless accompanied by a receipt and noted in a petty cash report.
2. The petty cash report and accompanying receipts should be turned in at least quarterly to the business office to reimburse the fund.
3. When the petty cash is reimbursed the proper account will be charged.
4. Money received must be pt directly into pretty cash and an accounting of the funds must be made quarterly to the business office.
5. Petty cash is designed for making incidental purchases and should not be used to circumvent the purchase order process.

Purchasing Procedures

Purchasing of any normally used supplies or materials, or any furniture or equipment items that are specifically or individually identified in the Charter School's annual budget, a listing that has been approved for a new building/renovations to existing buildings, or any other Charter School purchasing proposal that has prior approval from the Board will require additional Board signatures on the financial manifest where the item or items are brought forward.

Contracts

The Chairperson of the Charter School Board will sign any written contract to which the Charter School may be a party when such contract has been authorized or approved by the Board.

Purchase Orders

The [] and the Charter School [] are the only Charter School personnel authorized to give final approval and thus sign purchase orders. All purchase orders shall also have the signature of the building principal/director or program coordinator from which building or program they emanate. The signing of the purchase order shall indicate that sufficient budgetary funds are available to make the purchase, that budgetary account number(s) and quantities of item(s) are clearly indicated, and the name of the vendor and address is clearly delineated. All purchases over \$200.00 (two hundred dollars) shall be made on Charter School purchase orders.

Individuals developing purchase orders shall make every effort to ensure the best possible price for the desired item, product and/or services that has been obtained or price solicited. Special arrangements may be made with [] for the ordering of perishable and/or emergency supplies.