

**FINANCIAL MANAGEMENT FOR  
GEORGIA LOCAL UNITS  
OF ADMINISTRATION**

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**NATURE AND PURPOSE**

The mission of the Georgia Public Charter Schools Program is to increase student achievement through academic and organizational innovation by encouraging local school districts to utilize the flexibility offered by chartering. Charter schools provide an option for increasing student achievement through educational options other than those provided by local boards of education. The legislature has recently passed legislation to facilitate the formation of charter schools by forming an independent commission.

This chapter discusses various components of charter schools, principally in the areas of student accountability, business, finance, and data reporting requirements. This information contained herein is generally applicable to State Chartered Special Schools, Local Charter Schools (Start Up and Conversion), System Charter Schools, and Commission Charter Schools, though most of the requirements are applicable to the two types of charter schools that act as their own Local Education Agency (“LEA”): State Chartered Special Schools and Commission Charter Schools.

The charter for start-up charter schools must outline certain required financial information. It is of utmost importance for school business and finance personnel to have knowledge of the financial components of a charter.

## A. DEFINITIONS

- (a) **Charter** – a performance based contract between the charter authorizer and a charter petitioner. By entering into a charter, a charter petitioner and the charter authorizer(s) shall be deemed to have agreed to be bound to all the provisions of the Charter Schools Act and SBOE Rule 160-4-9-.04 as if such terms were set forth in the charter.
- (b) **Charter authorizer** – a local school board, the SBOE, or the Georgia Charter School Commission (“Commission”).
- (c) **Charter school** – a public school that is operating under the terms of a charter.
- (a) **Commission** – the Georgia charter Schools Commission as established by O.C.G.A. 20-2-2082.
- (b) **Commission charter school** – a start-up charter school authorized by the Commission that is operating under the terms of a charter between a charter petitioner and the Commission.
- (c) **Conversion charter school** – a charter school that existed as a local school prior to becoming a charter school.
- (d) **Fiscal agent** – the entity responsible for the financial control and management of the charter school or schools. For state chartered special schools and commission charter schools, the school will act as its own fiscal agent.
- (e) **LEA**- Local Education Authority, typically a school district, but also an individual school in the case of a state chartered special school or a commission charter school.
- (f) **LEA start-up charter school** – a charter school that did not exist as a local school prior to becoming a charter school and which was created by a local board as part of the existing local school system. The charter petitioner is the local board.
- (g) **Local charter school** – a start-up charter school, an LEA start-up charter school, a high school cluster, a jointly authorized charter school, or a conversion charter school that is operating under the terms of a charter between the charter petitioner, the local board, and the SBOE.
- (h) **SBOE**- State Board of Education
- (i) **Start-up charter school** – a charter school that did not exist as a local school prior to becoming a charter school. The petitioner is not the local board.

(j) **State chartered special school** – a charter school created as a special school that is operating under the terms of a charter between the charter petitioner and the SBOE and which acts as its own public Local Education Agency for accountability purposes.

## **B. ACCOUNTABILITY AND AUTHORIZER ROLE**

All Charter schools in Georgia are held responsible for meeting the academic performance goals set forth in the charter contract between the school and its authorizer(s). The grant of a charter to the governing board of an individual charter school is a delegation of authority from the authorizer to that governing board to manage the affairs of the charter school, consistent with relevant state and federal law and regulation.

The charter school approval process begins with the submission of a charter school petition. The petition is a proposal for a charter school, which will be evaluated by the applicable authorizer in conjunction with other measures to determine whether the proposed charter school complies with all applicable laws, rules, regulations, policies and procedures, whether the proposal will be viable in operation and whether the proposed charter school is in the public interest. Once an authorizer grants a charter contract, it becomes the document governing the operation of the school and sets forth the terms for which the school is held accountable.

## **C. RESPONSIBILITIES OF CHARTER AUTHORIZERS.**

Under Georgia law, local boards are responsible for the management and control of all local charter schools and the SBOE is responsible for monitoring the performance of the governing board of every State Chartered Special School. For Commission Charter Schools, the Charter Schools Commission is responsible for monitoring the performance of the governing board. At a minimum, this control and management of authorized charter schools shall include the following responsibilities:

- Enforcing clear expectations for, and ensuring achievement of, performance goals set forth in the charters;
- Establishing criteria for annual budgets and audits, reviewing annual budgets and audits, and making withholding or corrective action decisions based upon this review;
- Evaluating a charter school's performance in relation to the expectations and goals set forth in the charter and taking appropriate action based on this evaluation;
- Distributing and/or ensuring that applicable federal, state, and local funding is distributed to charter schools in a timely manner and in accordance with law and ensuring that funds are spent according to applicable laws, rules, policies, and guidelines, including requirements for the monitoring of the use of federal funds;

- Providing funds to local charter schools no less favorably than other schools within the LEA, including proportional distribution based on relative enrollment of children with disabilities;
- Reviewing and acting on charter school petitions; and
- Reviewing the performance of the charter school and making renewal and termination decisions based on that review.

#### **D. CHARTER PETITION REQUIREMENTS**

All charter school petitions must meet the petition requirements set forth in the Charter Schools Rule, Rule 160-4-9.04, for the particular type of charter school proposed. In addition, the charter school petition shall contain information sufficient to demonstrate appropriate fiscal feasibility and controls. The Charter Schools Rule and charter applications for each type of charter school can be accessed at [http://public.doe.k12.ga.us/pea\\_charter.aspx](http://public.doe.k12.ga.us/pea_charter.aspx).

The charter applications contain questions designed to elicit information about the fiscal viability of each school and should be reviewed by local district financial staff when considering charter school applications.

#### **E. TERMINATIONS**

Upon termination, all assets of a local charter school remaining after liquidation and fulfillment of outstanding liabilities revert to the local board that authorized the school. All assets of a State Chartered Special School remaining after liquidation and fulfillment of outstanding liabilities revert to the SBOE. All assets of a Commission Charter School remaining after liquidation and fulfillment of outstanding liabilities revert to the SBOE and the LEA on a pro-rata basis based on relative share of contributions. The SBOE and the LEA will communicate with the Commission in the disposition of such assets.

#### **F. APPLICATION PROCESS**

All proposed charter school petitioners shall prepare enrollment and financial projections as provided in the template available in Appendix O of this handbook.

#### **G. FISCAL RESPONSIBILITIES AND REPORTING REQUIREMENTS FOR CHARTER SCHOOLS**

All charter schools are required to develop policies and procedures to ensure fiscal responsibility with a system of proper internal controls. These policies and procedures must be written and approved by the governing board of the school. A basic structure of the system of internal controls shall be submitted to the charter authorizer in accordance with the procedures set forth herein. All local charter schools shall submit this information to the authorizing school

board. The local authorizing board has fiduciary responsibilities as described in OCGA 20-2-2065(b) (2) and will report local charter school financial data to the SBOE along with the normal submissions currently required. State Chartered Special Schools and Commission Charter Schools shall submit this information to the SBOE. In addition to the submission to the SBOE, Commission Charter Schools shall submit information to the Commission in accordance with the rules and regulations established by the Commission.

## **1. ESTABLISH AN ACCOUNTING SYSTEM**

All charter schools must establish an accounting system. Given the time frames for cash disbursement by the LEA and/or the SBOE, charter schools should establish a modified accrual-based accounting system. Modified accrual accounting recognizes revenue when it is available and measurable. Modified accrual accounting recognizes expenditures during the period in which the liability is incurred.

## **2. BOOKKEEPING**

The primary components of any accounting bookkeeping system are the **chart of accounts**, the general ledger, and a series of journals/sub-journals that are used to track the details regarding specific types of transactions. The chart of accounts is a numbered list of each item that the accounting system tracks. A typical chart of accounts will be comprised of several main categories – such as *Assets*, *Liabilities*, *Equity*, *Revenues* and *Expenses* – each with multiple, numbered sub-accounts that capture specific financial operating details. Schools are required to use the same numbering system as used by the Georgia Department of Education. Additional information can be found on the Department’s website at: [http://www.gadoe.org/fbo\\_financial.aspx](http://www.gadoe.org/fbo_financial.aspx).

## **3. ESTABLISH INTERNAL FINANCIAL CONTROLS**

All charter schools are required to establish internal financial controls approved by the school’s governing board. Internal controls are the processes and procedures organizations put in place to minimize the likelihood of financial mistakes, such as improperly recording the money that is received and disbursed, and theft. These controls must be transparent and clear so that an authorizer representative can review them as necessary. Illustrative examples of financial controls include:

- ✓ *Segregation of Duties*: Segregation of duties means that no single individual should have control over two or more phases of a transaction.
- ✓ *Authorization and Processing of Disbursements*: Policies must be established to determine who in the school can authorize payments and under what terms and amounts.

## **4. ESTABLISH A PAYROLL SYSTEM**

All charter schools are required to establish a payroll system to ensure timely payment of personnel obligations. Developing a compensation scale is one of the first steps when developing a school budget. If the charter permits, the school can design its own compensation scale that varies from the one approved by the SBOE for traditional public schools.

While it can be difficult to set the compensation scale, appropriate steps should be taken in advance to set up the payroll process. A payroll system will have to be established and maintained regardless of the exact compensation scale. Though many charter schools may contract this service out to an educational management organization, it is the duty of the governing board of the school to ensure these payroll obligations are met and that payments are made in a timely manner.

## **5. ALLOTMENT OF FUNDS**

For new start-up charter schools, a conservative projection of base FTEs may be completed prior to the start of the fiscal year (July 1). This estimate should include the number of students planning to attend the charter school that presently attend traditional public schools. In addition, this estimate should include an approximation of the number of students that will be newly enrolled in public education (*i.e.*, students who were formerly enrolled in private schools or were homeschooled).

For new State Chartered Special and Commission approved charters, a projection of FTEs must be completed prior to the start of the fiscal year (July 1) only for the initial year of operation. In addition to the projected FTEs mentioned above, the charter school will report FTEs in the normal reporting cycle starting with the count in October of the initial year. If a projected QBE allotment has been granted based on projected FTEs, then the allotment will be adjusted appropriately for any differences between actual FTEs and projected FTEs. Any initial funding is subject to appropriation. If no initial QBE allotment has been granted, then the funding for these schools will be part of the normal QBE Mid-Term adjustment process and funded through the Supplemental Appropriation.

For the method of calculating an approximation of local revenue for Commission Charter Schools, the Department will follow the Charter Schools Commission Act. As required by law, the Commission will calculate the approximate local revenue to which each Commission Charter School is entitled, and the Department shall pay that amount as a grant to the appropriate Commission Charter School. All grants are subject to SBOE approval.

A local charter school may request the SBOE to order mediation if it believes the local board is treating the charter school less favorably than other local schools. Funding for approved charter schools will be determined by following the QBE formula through the prescribed data collections of FTE and Certified/Classified Personnel Information (CPI). This process cannot be waived or altered by the charter, except where permissible.

## **6. DATA REPORTING**

In order for charter schools to receive an accurate and appropriate amount of state and local monies, it is essential that they follow all data reporting guidelines. Local charter schools should report through the LBOE in ensuring that all data collections guidelines are followed. State Chartered Special and Commission Charter Schools should follow SBOE guidelines. At a minimum, State Chartered Special and Commission Charter Schools must transmit FTE and CPI data for all three cycles. Additional information, including transmission dates can be found on the Department's website at: [http://public.doe.k12.ga.us/pea\\_infosys\\_data.aspx](http://public.doe.k12.ga.us/pea_infosys_data.aspx)

In order to access important information, all charter school administrators should set up a MyGaDOE account. MyGaDOE is an online interface designed to improve your interaction with the applications and services that the Department provides. It can assist charter school administrators in several procedures.

- Consolidate access to applications
- Provide quick access to a variety of new and existing services
- Provide news and tips
- Provide a way for Department staff to communicate with you through messages
- Provide quick access to documentation, online help, and training materials

Additional information, including how to set up an account can be found here: [http://public.doe.k12.ga.us/GaDOE%20Portal%20Online%20Documentation/DOE\\_Portal\\_Online\\_Users\\_Documentation.htm](http://public.doe.k12.ga.us/GaDOE%20Portal%20Online%20Documentation/DOE_Portal_Online_Users_Documentation.htm)

All charter schools must have a Student Information System (SIS) system in place in order to record and transmit essential data to the Department.

## **7. STATE AND FEDERAL GRANTS**

The Georgia Department of Education has a variety of different state and federal grant programs for which a charter school may be eligible. The eligibility process is different for each grant and may be different depending on the type of charter school. Start up and conversion charters are considered part of the authorizing local school system. As such, all applications should be approved by the local school district. State Chartered Special and Commission Charters should submit an application directly to the Georgia Department of Education. All rules, regulations, and procedures of each individual grant program must be followed.

A charter blanket waiver for instruction does not make a charter school automatically eligible for competitive or formula grants. All requirements for such grants must be met in order to be eligible for those grants.

## **8. TRANSPORTATION FUNDS**

Under Georgia law, the local board and the state board are required to treat local start-up charter schools no less favorably than other local schools with respect to the provision of funds for transportation. State Chartered Special and Commission Charter Schools are not eligible for separate transportation funding. In determining the amount of funds to which a local charter

school is entitled under this requirement, the local board shall take into account the number of students enrolled in the start-up charter school and the proportionate share of funds such students earn.

For the purpose of calculating the transportation funding required to be paid to start-up charter schools, local boards shall develop a ratio that takes into account total district spending on transportation and then determine the proportionate share to which any start-up charter school is entitled. Notwithstanding the requirement to provide transportation funding, local boards and start up charter schools may enter into a separate agreement that allows the district to provide transportation services in lieu of the proportionate cash payment otherwise required.

## **9. FOOD SERVICE FUNDS**

Under Georgia law, the local board and the state board are required to treat local start-up charter schools no less favorably than other local schools with respect to the provision of funds for food service. All charter schools will be eligible to participate in the National School Breakfast and Lunch Program to the same extent as any other public school.

## **H. FINANCIAL REPORTING**

All charter schools in Georgia must be accountable financially as well as academically. The school is accountable to a variety of stakeholders: to its parents, to its authorizer, to the state, to the federal government, and to the general public. From a financial standpoint, that accountability is communicated through different types of financial reports. School management needs to have financial information in order to make decisions, both for current expenditures and for future budget planning. Additionally, regulatory agencies, such as the local school district or the state authorizer require financial reports to monitor past financial activity at the school level. As these are two very different needs, financial reporting is usually categorized into both **internal reporting** and **external reporting**.

### **1. INTERNAL REPORTING**

Internal reporting provides a standardized method of providing financial information to the school administrators and the governing board. Internal reporting should be easily understood and provide accurate and timely financial data. These reports may vary in format, but the following are all acceptable methods of internal reporting.

- Balance Sheets
- Statement of Income and Expenditures vs. Budget
- Income Statement/Profit and Loss Statement/Statement of Revenues and Expenditures
- Statement of Cash Flows

For those reports to be reliable, an appropriate set of controls must be in place. The business office should establish procedures that properly carry out governance board policies.

As noted, the procedures established should ensure proper controls by adhering to the concept of segregation of duties. This means that no one person should ever be able to carry out a financial transaction from beginning to end.

## **2. EXTERNAL REPORTING**

Just as important as being able to produce required financial information to the school's management, a charter school must be able to provide specific information to the Georgia Department of Education and its authorizer in addition to external financial statement users. Two general requirements are discussed below, with directions to resources that can provide more details.

- **Annual Charter Financial and Budget Reports to the Georgia Department of Education**

The annual financial and budget reports are required components of financial reporting for State Chartered Special and Commission Charter Schools. The Georgia LUA Chart of Accounts is the prescribed format for reporting financial data. This format provides for the classification of revenues, expenditures, and expenses into certain specific categories. State Chartered Special Schools and Georgia Charter Commission Schools are required to report financial information in this format each year. A review chart of Account codes and the procedures for printing the State's Chart of Accounts can be found on the Georgia Department of Education's website at [Georgia Department of Education - Financial Review: Chart of Accounts](#).

- State Chartered Special and Commission charter schools shall submit annual budget and financial information in accordance with the requirements as outlined in Chapter 23C and Appendix E of this handbook. Enforcement of any expenditure controls associated with the reporting of this financial and budget data is subject to waivers granted through the charter approval process by the relevant authorizer.
- Local Start-up charter schools shall submit annual budget and financial information to their local authorizing school board. This information shall be submitted in such a way that the local school board can and shall include it in their budget and financial reporting in accordance with Chapter 23C and Appendix E of this handbook. Enforcement of any expenditure controls associated with the reporting of this financial and budget data is subject to waivers granted through the charter approval process by the relevant authorizer.

- **Annual Financial Audit**

The Georgia Charter Schools Act requires all start up charter schools, including State Chartered Special and Commission Charter schools, to arrange for an annual independent

audit by a Georgia licensed auditor. Charter schools must ensure that the Georgia licensed auditor is qualified to conduct an audit of an educational agency. Chapter 38 of this handbook may serve as a guide when selecting an auditor to conduct the charter school's audit. This audit report must be submitted to the Department no later than October 1 of each year. At the end of each fiscal year an independent audit firm performs a governmental audit of a charter school. This is sometimes accomplished as part of the school district's audit and sometimes accomplished by contracting directly with an independent audit firm. These financial audits examine the school's financial statements and issue an opinion on their accuracy. This annual step is the best way to measure whether the school's management can rely on the financial information it receives. It is the school's responsibility to contract for the audit and to bear the cost. The audit should include information related to examining all financial statements to determine their conformity with specified criteria of General Accepted Accounting Principles (GAAP). GAAP provides a set of uniform minimum standards and guidelines for financial accounting and reporting (see Chapter 1 of this LUA for a discussion of GAAP). The *2008 Codification of Governmental Accounting and Financial Reporting Standards (2008 Codification)*, Section 1700, includes discussion on the budget and budgetary accounting.

State auditors have the right to review the annual audit of charter schools.

## **I. SUMMARY**

Pursuant to the Charter Schools Act, charter schools may be granted waivers from their authorizers. A particular charter school's waiver status, however, does not prevent the school from being responsible for all applicable financial reporting rules and regulations. The omission of a topic in this chapter does not suggest that such topic does not apply to charter schools.\

Charter schools should use the rest of the Financial Management for Local Units of Administration handbook as a guide and reference.

The charter for start-up charter schools must contain certain financial information. It is of utmost importance for school business and finance personnel to have knowledge of the financial components of a charter, which becomes the contract between the charter authorizer and the charter petitioner.