Local Charter School Financial Reporting

GaDOE Financial Review Division
February 2017
Agenda

• Local Charter Schools
• Recording Payments to Local Charter Schools
• Recording General Operations of Local Charter Schools
• Recording Other Activity of Local Charter Schools
• Financial Reports
• Changes to DE 46 Financial Reporting Requirements
• Responsibility of Local Charter Schools
Local Charter Schools
Local Charter Schools

- O.C.G.A. §20-2-2062 – charter schools are public schools

- GASB 34 Implementation Guide – Not-for-profits that currently use the governmental model or that are created after the date of this statement [June 1999] would be required to apply this Statement “as is”.

- GASB 39 – local charter schools meet the definition of a component unit of a school district due to the fiscal dependency and the charter is for the primary benefit of the school district.
Local Charter Schools

• State Board Rule – 160-4-9-.06 – Charter Authorizers, Financing, Management, and Governance Training

• Responsibilities of Charter Authorizers
  • Ensure that local charter schools submit required financial information in accordance with the policies and deadlines established by the local school system for inclusion in the system’s annual Financial Review Report (DE046) to the Georgia Department of Education.
Local Charter Schools

- Census and Data Reporting
  - Local charter schools currently report students and teacher information as part of the primary school district reporting to the state.
  - Financial reporting of the activity is also required to be submitted as part of the primary school district reporting to the state.
- Primary government (school district) determines whether the component unit (local charter) is reported as discretely presented or blended.
Recording Payments to Local Charter School (by school district)
Object 594

• Payments made by the school district to each charter school for their portion of funds from the district.
• Inter-agency transaction of the school district.
• Utilized in Fund 100 for state and local portion.
• Utilized in Federal Funds (such as Title I – 402) for any payments to the local charter from the school district.
• Payment should be recorded in appropriate function, and school code.
• Program Code 9990 – Miscellaneous can be utilized for Payment only.
Object 594

- Expenditures charged to Object Code 594 should agree with the budget and payment plan approved for the local charter school.

- Example of payment by local school district:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit</td>
<td>100</td>
<td>9990</td>
<td>1000</td>
<td>594</td>
<td>0</td>
<td>2010</td>
</tr>
<tr>
<td>Credit</td>
<td>100</td>
<td>N/A</td>
<td>0101</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Object 594

• Expenditures paid by local school district will offset the revenue recorded by the local charter on the annual financial report submitted to the Department of Education.

• Object Code 594 expenditures are excluded from:
  • Indirect Cost calculations
  • Maintenance of Effort calculations

• Payments to Charters should be reported in correct functional category. Important for CAFR when component units are not blended.
Recording General Operations of Local Charter School
Fund 599

• Special Revenue Fund for recording the activity of local charter schools so that the activity is included in the financial analysis report of the local school district.

• Only to be used for the actual operations.

• Expenditures required to be reported in accordance with State Board Rule 160-5-2-.21.

• Each local charter of a school district required to be reported in Fund 599, using the approved school code.
Fund 599

- Only use Fund 599 for expenditures that are recorded directly by the local charter.
- Any expenditures that are incurred centrally by the school district for the local charter will be recorded in the appropriate fund, using the local charter’s school code.
- Example – Professional Development paid centrally:

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund</th>
<th>Fiscal year</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
<th>Building</th>
<th>Additional Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>100</td>
<td>1</td>
<td>1210</td>
<td>2210</td>
<td>595</td>
<td>00</td>
<td>2010</td>
<td>0</td>
<td>000000</td>
</tr>
</tbody>
</table>
Revenue Source Code 5994

• Revenue received by a local charter school from the parent school district.

• Can only be reported in Fund 599.

• Revenue amount will offset the expenditures recorded by the school district to Expenditure Object Code 594.

• Revenue 5994 = Expenditure Object 594

• If these two amounts do not equal in total on the DE 46, an Error will occur with file submission.
Revenue Source Code 5994

• Revenue received by a local charter school from the parent school district.

• Example:

<table>
<thead>
<tr>
<th>Credit</th>
<th>Fund</th>
<th>Program</th>
<th>Source</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>599</td>
<td>9990</td>
<td>5994</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>

58,000.00

• QBE program codes not required, as the QBE revenue was recorded with program codes by school district in Fund 100.
Revenue Source Code 5994

- Revenue received by local charter, not directly from local school district, will be recorded to correct revenue source code
- Example – Technology for Classroom Grant

**Example of a Revenue Received From Other Vendor/Organization:**

<table>
<thead>
<tr>
<th>Credit</th>
<th>Fund</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>599</td>
<td>1667</td>
<td>3995</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
<td>46,000.00</td>
</tr>
</tbody>
</table>
Recording Other Activity of Local Charter Schools
What about Federal Program Activity?

• Federal program activity will be recorded in Fund 599.
• Utilize program codes to identify the expenditures as Federal programs.
• Revenue recorded with Federal program codes by the parent school district.
• Example:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
</tr>
</thead>
<tbody>
<tr>
<td>599</td>
<td>1750</td>
<td>1000</td>
<td>110</td>
<td>0</td>
<td>2010</td>
</tr>
</tbody>
</table>

**Example of a Title I Teacher Salary Expenditure for a Local Charter School:**

- **Debit:**
  - Fund: 599
  - Program: 1750
  - Function: 1000
  - Object: 110
  - Sub-Object: 0
  - Facility/School: 2010
  - Amount: $6,000.00

- **Credit:**
  - Fund: 599
  - Program: N/A
  - Function: 0422
  - Object: N/A
  - Sub-Object: N/A
  - Facility/School: N/A
  - Amount: $6,000.00
Federal Programs (not school food)

- Federal funds provided by school district – record in Fund 599 using Revenue Source 5994 process
  - Federal Revenue recorded by local school district using defined fund and program code.
  - Payment by local school district to charter using defined fund, program code, and object code 594.

- Federal Funds expended centrally by school district on behalf of local charter
  - Recorded with local charter school code in defined Federal fund.
  - Using same methodology as other expenditures incurred centrally for all schools.
  - Use school code if strictly for one school, otherwise, use central office facility code.
Federal Programs (not school food)

• Federal funds provided directly by Federal government or entity other than local authorizing school district.

• Record in Fund 599.

• Record using Revenue Source 4XXX range (only use 5994 when received from local school district).

• Record using appropriate federal program code.

• Remember: 5994 = 594. If local school district didn’t pay it, then it should be reported using appropriate revenue source code.
School Food Service

- In some cases, local charter schools operate their own school food service program.
- If included by local school district, the Comparison Report of the DE 46 and DE 106 will not reconcile.
- Record all activity, using school code, for each local charter school.
- Will allow explicit differentiation on the DE 46 annual financial analysis report submitted by local school district.
School Food Service

• Example:

Example of School Food Service Expenditure Ledger for Local Charter School:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>184</td>
<td>0</td>
<td>2010</td>
<td>28,000.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>210</td>
<td>0</td>
<td>2010</td>
<td>7,584.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>220</td>
<td>0</td>
<td>2010</td>
<td>3,618.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>260</td>
<td>0</td>
<td>2010</td>
<td>1,333.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>410</td>
<td>0</td>
<td>2010</td>
<td>6,278.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>444</td>
<td>0</td>
<td>2010</td>
<td>1,286.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>610</td>
<td>0</td>
<td>2010</td>
<td>10,380.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>630</td>
<td>0</td>
<td>2010</td>
<td>46,912.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>635</td>
<td>0</td>
<td>2010</td>
<td>16,175.00</td>
</tr>
<tr>
<td>659</td>
<td>9990</td>
<td>3100</td>
<td>734</td>
<td>0</td>
<td>2010</td>
<td>5,700.00</td>
</tr>
</tbody>
</table>
School Activity Accounts (Principal Accounts)

• School Activity accounts required to be reported with District’s financial statements.

• Compile by school and record in Funds 500, 705, and 715 in same manner as other public schools within local school district.

• Record using school code.

• School Activity reporting by school required by ESSA.
Capital Assets

• Fund 859 – Capital Assets – Local Charter Schools
  • Funds used to record the cost of all property, plant, and equipment. Includes sites, site improvements, building and building improvements, and machinery and equipment. Includes Depreciation Expense and current disposals and additions activity.

• For assets that are owned exclusively by the local charter school.

• Assets owned by the local school district will continue to be reported by the school district.

• Assets owned separately by a not-for-profit and not in the name of the local charter school are not required to be reported on the DE 46 in Fund 859.
Long Term Debt

• Fund 959 – Account to record the principal amount of all long-term liabilities including bonds issued by another entity on its behalf, capital leases, compensated absences, claims and judgements, or any other types of operating loans.
Financial Reporting
Financial Reporting

• State Board Rule 160-5-2-.21
• Requires all local units of administration to prepare its annual financial report by fund, revenue source, function, program, object, and facility/school/program code for each school and program within the unit.
Financial Reporting

• *Financial Management of Georgia Local Units of Administration Handbook*, Appendix C – Chart of Accounts

• Includes accounting structure required for annual reporting

• Aligns to the DE 46 Layout Specification File

<table>
<thead>
<tr>
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<td>1</td>
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<td>2210</td>
<td>595</td>
<td>00</td>
<td>2010</td>
<td>0</td>
<td>000000</td>
</tr>
</tbody>
</table>
Financial Reporting

- Does Flexibility with Expenditure Controls in O.C.G.A. §20-2-167 waive program code reporting requirements?
  - NO

- Districts/schools are still required to report HOW the money is spent, even though the “HOW” decision is left to the local level for QBE state appropriations.

- State Board Rule 160-5-2-.21
Financial Reporting

• Facility Code – used when posting revenues and expenditures associated with building, construction, additions, modifications, and renovations for each physical location using the same facility code that is approved in the Local Facility Plan.

• School Code – used when posting expenditures related to the operations of a school. A school is defined as a FTE/QBE reporting entity.
Financial Reporting – DE 46

• Annual Financial File Submission
  • Mandated under GA Law (O.C.G.A. §20-2-167 and §20-2-320)
  • Must be submitted electronically
  • File Layout located on Financial Review website
  • Must meet file layout specs in accordance with the state chart of accounts
  • Must have Financial Review Coordinator access to submit the annual financial reports
  • Must be approved by Superintendent/Charter Administrator
Changes to Annual Financial Analysis (DE 46) Report
Financial Reporting – DE 46

• New Error Codes related to Local Charter Reporting:
  • EXXXX – No local charter school expenditures reported in Fund 599.
  • EXXXX – Revenue 5994 does not equal Expenditure 594

• DE 46 must report local charter school activity in Fund 599 to be accepted for the school district.

• Deadline for Report Submission – September 22, 2017
Responsibility of Local Charter Schools
Local Charter Responsibility

• Ensure LUA Chart of Accounts is maintained for revenue and expenditure reporting.

• Identify approved code relationships that can be submitted. (Example: Function 2900 and Object Code 110 is not compatible).

• Follow the FMGLUA handbook for recording financial information on modified-acrual basis.

• Follow deadlines set by local school district in submitting financial information.
Local Charter Responsibility

• Local Charter Schools should consult with the school district on reporting requirements, deadlines, etc.
QUESTIONS?
GaDOE Resources

www.gadoe.org – Charter Schools; Financial Review

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