Local Charter School Financial Reporting

GaDOE Financial Review Division
April 2020
Agenda

• Local Charter Schools
• Financial Reporting
• Recording Payments to Local Charter Schools
• Recording General Operations of Local Charter Schools
• Recording Other Activity of Local Charter Schools
• 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

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

• 1(a)3 – Annual Reporting
  • Requires the financial performance to be submitted in an annual report to the General Assembly pursuant to O.C.G.A. §20-2-2070.

Not the requirement we are discussing today!
Local Charter Schools

160-4-9-.06 CHARTER AUTHORIZERS, FINANCING, MANAGEMENT, AND GOVERNANCE TRAINING.

(1) RESPONSIBILITIES OF CHARTER AUTHORIZERS.

(a) RESPONSIBILITIES OF LOCAL BOARDS OF EDUCATION. Local boards of education (“local boards”) shall provide control and management of local charter schools and charter systems, pursuant to O.C.G.A. § 20-2-2065(b)(2) and State Board of Education Rule 160-4-9-.06.

1. This control and management shall include the following responsibilities for local charter schools:

(i) Pre-Charter award or charter renewal:

(ii) Post-Charter award or charter renewal:

(I) Monitor a new local charter school’s pre-operational period for timely implementation of ready-to-open benchmarks related to facilities, school personnel, enrollment procedures, curriculum and instruction, operations and fiscal management, and governance. In the event the charter school governing board does not meet the ready-to-open benchmarks, the local board may postpone the school’s opening by up to one year. An assurance to the Department by the local district of a new school having achieved ready-to-open status is required before the new school may open.

(II) Enforce clear expectations for, and ensure achievement of, performance goals set forth in the charters;

(III) Ensure that local charter schools are fiscally sound and operating in accordance with Generally Accepted Government Auditing Standards, including annually reviewing budgets and reviewing working papers as needed;

(IV) Ensure that charter schools comply with Governmental Accounting Standards Board (GASB) Statements and Interpretations, which constitute Generally Accepted Accounting Principles (GAAP) for financial reporting.

(V) 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.
### Local Charter Schools

<table>
<thead>
<tr>
<th>School Name</th>
<th>Phone</th>
<th>County</th>
<th>Students</th>
<th>Grades</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coralwood Education Center</td>
<td>(770)874-9002</td>
<td>Dekalb County</td>
<td>242</td>
<td>PK-K0</td>
</tr>
<tr>
<td>Crisp High School</td>
<td>(404)880-6808</td>
<td>Dekalb County</td>
<td>287</td>
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</tr>
<tr>
<td>Cross Keys High School</td>
<td>(770)874-6102</td>
<td>Dekalb County</td>
<td>1,530</td>
<td>9-12</td>
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<tr>
<td>Decatur High School</td>
<td>(404)270-4420</td>
<td>Dekalb County</td>
<td>1,456</td>
<td>9-12</td>
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<tr>
<td>Dekalb Academy of Technology and the Environment Charter School</td>
<td>(770)481-2605</td>
<td>Dekalb County</td>
<td>725</td>
<td>KG-12</td>
</tr>
<tr>
<td>Dekalb Alternative School</td>
<td>(770)676-2302</td>
<td>Dekalb County</td>
<td>161</td>
<td>9-12</td>
</tr>
<tr>
<td>Dekalb Early College Academy</td>
<td>(770)676-0221</td>
<td>Dekalb County</td>
<td>362</td>
<td>9-12</td>
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<td>Dekalb Elementary School of the Arts</td>
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<td>810</td>
<td>KG-7</td>
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<tr>
<td>Dekalb PATH Academy Charter School</td>
<td>(770)846-3242</td>
<td>Dekalb County</td>
<td>368</td>
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<tr>
<td>Dekalb Preparatory Academy Charter</td>
<td>(404)492-5061</td>
<td>Dekalb County</td>
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<tr>
<td>Dekalb Regional Youth Detention Center</td>
<td>(404)241-2183</td>
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<tr>
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<td>Dresden Elementary School</td>
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<tr>
<td>Druid Hill High School</td>
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<td>1,325</td>
<td>9-12</td>
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<tr>
<td>Druid Hill Middle School</td>
<td>(770)874-7902</td>
<td>Dekalb County</td>
<td>987</td>
<td>6-8</td>
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Source: CCD Public school data 2018-2019 school year
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

- Includes accounting structure required for annual reporting
- Aligns to the DE 46 Layout Specification File

<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>
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<td>595</td>
<td>00</td>
<td>2010</td>
<td>0</td>
<td>000000</td>
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Financial Review Website

Budget and Financial Data Reporting

- LUA Chart of Accounts
  - FY 2019 Changes to LUA - Chart of Accounts 6.30.18 FINAL.pdf
- Financial Management for Georgia LUAS Manual
- School System Financial Reports
- School System Revenues/Expenditures
- Tips for Monthly - Closeout (Checklist).pdf
- FAQ COVID-19 (3-25-20).pdf

New CFO?
- Are you a new Finance Director/CFO at a Georgia LUA? If so, please send your contact information to Financial Review at financialreview@doe.k12.ga.us

Transmitting Data

- DE46 File Layout Instructions.pdf
- GaDOE Portal Access Request.pdf
- FY 19 DE46 Errors and Warning Resource Guide.pdf
- Secure Data Transmission Portal
Financial Reporting – DE 46 Reporting

• 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
Financial Reporting – Flexibility in 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 VS School

• 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 – Error Code

• 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 – generally September 30
Financial Reporting

What does this mean for a local charter school, authorized by a board of education?

1. District dates for data submission from the local charter to the school district must be set **earlier** than the September 30\(^{\text{th}}\) deadline to GaDOE.

2. The Chart of Account format must be utilized in the data provided to the district.

3. Be aware of the acceptable account code relationships on the Chart of Accounts.

4. Follow the FMGLUA handbook for recording financial information on the GASB-GAAP Basis.

5. Collaboration and Teamwork!
Financial Reporting

Why can’t local charters report separately/independently of the school district?

If the school is listed as a school within the district, serving the district students, then the data is required to be reported to U.S. Department of Education and the Federal Census Bureau.
Recording Payments to Local Charter School (by school district)
Object 594 – School District Use

- 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 – School District Use

• 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>Debit</th>
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<tr>
<td>100</td>
<td>9990</td>
<td>1000</td>
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<td>0</td>
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<table>
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<tr>
<th>Credit</th>
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<th>0101</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
<th>10,000.00</th>
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</table>
Object 594 – School District Use

- 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 – School District Use

- 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 – School District Use

- 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>
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<td>00</td>
<td>2010</td>
<td>0</td>
<td>000000</td>
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</table>
Revenue Source Code 5994 – School Use

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

• Can only be reported in Funds 599, 359, 659, 505, 759.

• 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:

  Example of Revenue Received From School District:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Source</th>
<th>Object</th>
<th>Sub-Object</th>
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<th>Credit</th>
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<td>5994</td>
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<td>0</td>
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- 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

<table>
<thead>
<tr>
<th>Fund</th>
<th>Program</th>
<th>Function</th>
<th>Object</th>
<th>Sub-Object</th>
<th>Facility/ School</th>
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<td>0</td>
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46,000.00
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>Object</th>
<th>Sub-Object</th>
<th>Facility/School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit</td>
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<td>1750</td>
<td>1000</td>
<td>110</td>
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<tr>
<td>Credit</td>
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<td>0422</td>
<td>N/A</td>
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</tbody>
</table>

6,000.00

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.
• Fund 659 – School Nutrition Service Fund – Local Charter School Activity.
• 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>
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<tbody>
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<td>734</td>
<td>0</td>
<td>2010</td>
<td>5,700.00</td>
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School Activity Accounts (Principal Accounts)

- School Activity accounts required to be reported with District’s financial statements.
- Compile by school and record in Funds 505, and 759 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.
Other Considerations

• Local Charter School relationships with the District Authorizer are all unique.

• District-funded costs do not need to be reported in Fund 599 by the local charter.

• The local charter is required to utilize Fund 599 to report the financial activity that is processed by the local charter.

• Example: payroll may continue to be processed by school district. Those expenditures will be reported in Fund 100 by the district, using the local charter school’s school code.
What will the financial data be used for at the state level?
Uses of Financial Data

• Census Reporting
• U.S. Department of Education Financial Surveys
• Some QBE Calculations
• Maintenance of Effort Calculations
• Excess Cost
• Financial Efficiency Star Rating
• School and School District Financial Transparency Dashboard
• Indirect Cost Rate Calculations
QUESTIONS?
Contact Information

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