

# School Board Finance Training

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Travis Berends



# Agenda

01	Basics
02	Sources of Revenue
03	Budgeting
04	Interpreting Financials
05	Board Oversight

# Requirement for Training

Minnesota Statutes 2020 124E.07, Subd. 7 requires initial and ongoing training for all members of a Charter School board of directors:

Subd. 7. **Training.** Every charter school board member shall attend annual training throughout the member's term. All new board members shall attend initial training on the board's role and responsibilities, employment policies and practices, and financial management. A new board member who does not begin the required initial training within six months after being seated and complete that training within 12 months after being seated is automatically ineligible to continue to serve as a board member. The school shall include in its annual report the training each board member attended during the previous year.

This training fulfills the requirement for financial management training.

# The Basics

Just like your bank account....

- AT HOME:
  - $\text{Income} - \text{Expense} = \text{Surplus}$  (Builds up to Savings)
  
- SCHOOL FINANCE:
  - $\text{Revenue} - \text{Expense} = \text{Surplus}$  (Builds up to Fund Balance)
  - 01 General Fund
  - 02 Food Service Fund
  - 04 Community Services Fund

# Food Service

## Food Service Fund (02)

- Required to be a separate fund by MDE
- Revenues projected based on prior year participation levels as well as any enrollment.
- Costs should be in line with available revenue. Bluffview Montessori tends to run a slight annual deficit in food service.
- The General fund must cover any deficit

# Community Service

## Community Service Fund (04)

- Required to be a separate fund by MDE
- Revenues projected based on prior year participation levels as well as any enrollment changes plus our HEF funding
- Costs should be in line with available revenue, we usually have a profit in the preschool program where as before and after care is closer to break even
- The General fund must cover any deficit

# Sources of Revenue

## State

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- General Education Aid
- Special Education Aid
- Compensatory Aid
- Lease Aid
- Other State Aids
  - Literacy Incentive Aid
  - Endowment Fund
  - Long Term Facilities
  - EL and Referendum

## Federal

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- Federal Special Ed
- Federal Title
- REAP
- CARES/COVID

\*Reimbursement based, many have 27 months to spend

## Local-Other

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- Student Fees
- Interest
- Local Grants
- Fundraising
- Donations/Contributions
- Resale of Materials
- E-Rate
- Third Party Billing

# State Revenue

## The bulk of our funding

- Based upon pupil unit
  - General Education Aid
- Same per pupil funding as traditional public schools
- Amount is set by the legislature every 2 years
- 90% paid out over the year, with 10% paid after the year ends (Holdback)
- Paid twice a month on the 15<sup>th</sup> and 30<sup>th</sup>
- Compensatory revenue is based on population enrolled from October 1<sup>st</sup> of the prior year



# General Education Funding Per Pupil Unit

Fiscal Year	Funding per Pupil Unit	% Increase from PY
FY 2018-2019	\$6,312	2.0
FY 2019-2020	\$6,438	2.0
FY 2020-2021	\$6,567	2.0
FY 2021-2022	\$6,728	2.45
FY 2022-2023	\$6,863	2.0
FY 2023-2024	\$7,138	4.0
FY 2024-2025	\$7,278	2.0

# Enrollment

## ADM = Enrollment

- Average Daily Membership (ADM) = Portion of the school year a student is enrolled
  - 1 student full time = 1 ADM
  - 1 student 75% of the year = .75 ADM

## WADM aka Pupil Unit

- ADMs are weighted to get to pupil units
  - K-6<sup>th</sup> 1 ADM = 1 Pupil Unit
  - 7<sup>th</sup>-12<sup>th</sup> 1 ADM = 1.2 Pupil Units

# Special Ed Funding

## Separate funding stream based on student need

- Additional education costs for students with disabilities
- Determined via a percentage of special ed salaries, contracted services, supplies and equipment (we use 94% of total expense)
- Remaining costs incurred are billed through tuition billing to the student's home district (90% reimbursement)

# Lease Aid Funding

## Separate funding stream decided by MDE

- Lease aid amount is set by the legislature
- Must apply to MDE each year for lease aid
- Application contains multiple parts
  - Mostly about the building
  - Assertions by the board regarding conflicts of interest
- Lease aid = Lesser of \$1,314 per pupil unit or 90% of lease costs

# Budgeting

- Approved budget needs to be adopted by the board by June 30<sup>th</sup> prior to the next fiscal year
  - Fiscal year runs July 1<sup>st</sup> to June 30<sup>th</sup>
- Working budget helps monitor spending from month to month until a revised budget is adopted
- Revised budget is typically approved by the board in the spring
  - This one is not required but does help with your audit

# Budgeting

## Largest Expenditure Categories

- Salaries and Benefits
  - Largest expense category, can be 50-60% of budget
  - Forecasted based on need: instructional, admin and support
  - Monitored throughout the year based on YTD analysis as well as turnover
- Lease
  - Charter schools cannot own a building in MN
  - Lease or rent a space
  - Charters can have an affiliated building company, as Bluffview Montessori currently has.

# Interpreting Financial Statements

## Balance Sheet

- “Snapshot” of financial position at a given point in time
- Cash account balances
- State, Federal and Other receivables
- Prepaid expenses and deferred revenue
- Salaries, benefits and accounts payable
- Fund Balance/Net Position
  - To weather and handle state holdbacks
    - Some years as high as 40%
    - Helps handle unexpected expenses
    - Follows fund balance policy

# Interpreting Financial Statements

## Summary Revenue and Expense Statement

- Finances “Total All Funds” is a summary of this statement
- Year to date revenue and expenditures are compared to the most recent budget
- Things to watch for
  - Timing, some items need purchasing at the beginning of year
  - Are budgeted sources of revenues being received?
  - Can deviations from the budget be explained?



# Financial Oversight – Board Role

- Public Purpose
- Cash Flow
- Fund Balance
- Policies
- Audit

# Financial Oversight – Board Role

## All Charter school money is “public funds”

Once deposited in a school account, money becomes “public funds” and must pass the public purpose test (State Statute 118A.01 SUBD04.)

- “Schools can expend those public funds only for a public purpose. An expenditure serves the public purpose if it benefits the community as a whole, is directly related to the functions of the school, and does not have as its primary objective the benefit of private interest”

“Public Funds” means all general, special, permanent, trust and other funds, regardless of source or purpose, held or administered by a government entity, unless otherwise restricted

# Financial Oversight – Board Role

## Cash Flow

- Monitor to ensure adequate cash on hand for expenses (Days Cash on Hand)
- Only 90% of state revenue paid out during the year (some years have been worse)
- Federal revenue is only reimbursed after it's spent

# Financial Oversight – Board Role

## Policies

- Are policies managed as living documents rather than a ‘check the box’ activity?
- Recommendation to establish a policies committee, revisit to keep them up to date
- The auditors want to see any new or updated policies each year so try to keep your website updated with that information to reduce those requests at audit time

# Financial Oversight – Board Role

## Annual Audit

- All public schools must have an annual audit after the fiscal year end each year (September, currently with CLA-Rochester)
- Contracted CPA firm will review the files and internal control procedures
- After the audit is finished, the books are 'closed' for the prior year
- Ensures adequate financial controls are in place
- Due to MDE and OSA by December 31<sup>st</sup> after the end of the fiscal year

# Thank You

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Questions?

[Travis.berends@creativeplanning.com](mailto:Travis.berends@creativeplanning.com)



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