PACIFIC VIEW CHARTER SCHOOL

Regular Meeting of the Board of Trustees
Board Packet

Tuesday, April 21, 2026 at 3:00pm

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PACIFIC VIEW CHARTER SCHOOL

A California Public School and Nonprofit 501(c)(3) Corporation
3670 Ocean Ranch Blvd., Oceanside, CA 92056 | (760) 757-0161
22695 Alessandro Blvd., Moreno Valley, CA 92533 | Phone # (951) 697-1990

Agenda - Regular Meeting of the Board of Trustees

Tuesday, April 21, 2026 at 3:00pm

1 OPEN SESSION
- 1.1 Call To Order
- 1.2 Roll Call
- 1.3 Pledge Of Allegiance
- 1.4 Introductions

2 APPROVAL OF AGENDA

3 CONSENT AGENDA
- 3.1 Meeting Minutes from March 17, 2026

4 PUBLIC COMMENTS

5 ACTION AND DISCUSSION ITEMS

5.1 ***Discussion*:**
- 5.1.1 Executive Director's Report

5.2 ***Action*: Fiscal & Operations**
- 5.2.1 *Consideration and Approval of*: Board Warrant List for March 2026
- 5.2.2 *Consideration and Approval of*: 2026-27 Annual Resolutions Authorized Designated Agents
- 5.2.3 *Consider and Reaffirm use of*: FCMAT Charter School Accounting and Best Practices Manual

5.3 ***Action*: Administrative**
- 5.3.1 *Consideration and Approval of*: Board Governance Policy #5
- 5.3.2 *Consideration and Approval of*: Revised Organizational Chart
- 5.3.3 *Consideration and Approval of*: Safety Policy #1

5.4 ***Action*: Curriculum & Instruction**
- 5.4.1 *Consideration and Approval of*: Economics Course Outline

5.5 ***Action*: Personnel**
- 5.5.1 Consideration and Approval of: 2026-27 Declaration of Need
- 5.5.2 Consideration and Approval of: Updated Hard-to-Fill Bonus Agreement

6 INFORMATION ITEMS

6.1 Board/Staff Communication and Announcements: Save the Dates ~
Fit and Fun Day - Friday, April 24
Promotion - Tuesday, May 19
Graduation - Wednesday, May 20

6.2 Important Dates:
Upcoming Board Meeting - May 12 at 3:00 pm

7 ADJOURNMENT

Mission: The Pacific View Charter School community is focused on the success of each student and partners with parents/guardians in the education of their children. The school is committed to providing a safe and inclusive educational environment for all students. Highly skilled credentialed teachers guide the learning process using personalized learning, resources, and curriculum to prepare students for colleges and/or careers.

Public Comments: Members of the public may speak on items not listed on the agenda for 3 minutes each not to exceed 20 minutes for all topics. Extra time may be granted as needed. Board members will not respond to presentations and no action can be taken

Consent Items: Unless a trustee pulls an item, one board vote will approve all items without discussion..

Closed Session: Allowed per Gov. Ed. Code on student discipline (48900), confidential matters (35146), potential or pending litigation (54956.9), personnel (54957), labor (3540-3549.3) or property negotiations (54956.8, 54957.1(a)).

American with Disabilities Act: For accommodations related to disabilities to attend/participate in meetings call 760-757-0161 at least 24 hours prior to.

Brown Act: Agendas can be reviewed at 3670 Ocean Ranch Blvd., Oceanside CA, at 22695 Alessandro Blvd., Moreno Valley, CA 92533 and on the website at: www.pacificview.org

Translation Services: Call 760-757-0161 at least 24 hours prior to a meeting.

Pacific View Charter Board Meeting
April 21, 2026

Consent Agenda

AGENDA ITEMS

3.1 - Meeting Minutes from March 17, 2026

Information/Summary
Approval of consent agenda means ALL items appearing in this section are adopted by one single motion unless a Board Member requests that any item be removed from the consent agenda and voted upon separately.

Responsible Party
Executive Director Gorence, or designee, will respond to board questions if an item is pulled for discussion.

Recommended Action:
That the Board approves the consent agenda.

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PACIFIC VIEW CHARTER SCHOOL

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3670 Ocean Ranch Blvd., Oceanside, CA 92056 | (760) 757-0161
22695 Alessandro Blvd., Moreno Valley, CA 92533 | Phone # (951) 697-1990

Meeting Minutes - Tuesday, March 17, 2026 at 3:00pm

1 OPEN SESSION

1.1 Call To Order at 3:07

1.2 Roll Call: Kathi Cohen, Noel Ross

Via Videoconference from Moreno Valley: Ricardo Sanchez (arrived at 3:15)

1.3 Pledge Of Allegiance

1.4 Introductions: Erin Gorence, Jodi Campanelli, Zuleyma Hernandez, Linda Moore, Geoff Weeks, Diane Gibson, Present in Moreno Valley: Kathy Meck

2 APPROVAL OF AGENDA

Motion to approve the March 17, 2026 Agenda was made by: Noel Ross
Seconded by: Kathi Cohen
Ayes: Kathi Cohen, Noel Ross
Nos: None
Absent: Ricardo Sanchez

3 CONSENT AGENDA

3.1 Meeting Minutes from February 24, 2026
Motion to approve the Consent Agenda was made by: Kathi Cohen
Seconded by: Noel Ross
Ayes: Kathi Cohen, Noel Ross
Nos: None
Absent: Ricardo Sanchez

4 PUBLIC COMMENTS : None

5 ACTION AND DISCUSSION ITEMS

5.1 ***Discussion*:**

5.1.1 Executive Director's Report

5.2 ***Action*: Fiscal & Operations**

5.2.1 *Consideration and Approval of*: 2025-26 Auditor Selection
Motion to approve the Auditor Selection was made by: Kathi Cohen
Seconded by: Noel Ross
Ayes: Kathi Cohen, Noel Ross
Nos: None
Absent: Ricardo Sanchez

5.2.2 *Consideration and Approval of*: Board Warrant Listing for February 2026
Motion to approve the Warrant Listing a was made by: Kathi Cohen
Seconded by: Noel Ross
Ayes: Kathi Cohen, Noel Ross
Nos: None
Absent: Ricardo Sanchez

5.3 ***Action*: Administrative**

None

5.4 ***Action*: Curriculum & Instruction**

None

5.5 ***Action*: Personnel**

5.5.1 Consideration and Approval of: Personnel Policy #2 Catastrophic Leave Program
Motion to approve Personnel Policy #2 was made by: Ricardo Sanchez
Seconded by: Noel Ross
Ayes: Kathi Cohen, Noel Ross, Ricardo Sanchez
Nos: None

6 INFORMATION ITEMS

6.1 Board/Staff Communication and Announcements: Save the Dates ~
Fit and Fun Day - Friday, April 24
Promotion - Tuesday, May 19
Graduation - Wednesday, May 20

6.2 Important Dates**:**
Upcoming Board Meeting - April 21 at 3:00 pm
Ricardo Sanchez has agreed to Chair the meeting in Kathi Cohen's Absence.

7 ADJOURNMENT at 3:21 pm

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Pacific View Charter Board Meeting
April 21, 2026

Fiscal & Operations

AGENDA ITEM

5.2.1 - Board Warrant List March 2026

Information Summary
Warrants and Automated Clearing House (ACH) payments are issued in accordance with approved budgets and/or contracts

Responsible Party
Fiscal and Operations Coordinator Chang will discuss the Board Warrant Listing.

Recommended Action:
That the Board approves the presented warrants and Automated Clearing House (ACH) payments issued from March 1-31, 2026.

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PACIFIC VIEW CHARTER
BOARD WARRANT REPORT
MARCH 1-31, 2026

Warrant ID	Remit Supp	Name	Payment Date	Total Warrant Amount	Descr	Fund	Invoice Fund Amount	PO No.
047790	0000000304	Amazon.com Sales, Inc.	3/2/2026		INSTRUCTIONAL SUPPLIES	6200	35.40	0000002433
047790	0000000304	Amazon.com Sales, Inc.	3/2/2026		INSTRUCTIONAL SUPPLIES	6200	41.69	0000002433
047790	0000000304	Amazon.com Sales, Inc.	3/2/2026		INSTRUCTIONAL SUPPLIES	6200	6.48	0000002433
047790	0000000304	Amazon.com Sales, Inc.	3/2/2026	88.45	INSTRUCTIONAL SUPPLIES	6200	4.88	0000002433
047791	0000000322	New Direction Solutions, LLC	3/2/2026		SPECIAL ED SERVICES SLP	6200	1,942.08	0000002485
047791	0000000322	New Direction Solutions, LLC	3/2/2026		SPECIAL ED SERVICES SLP	6200	2,824.60	0000002485
047791	0000000322	New Direction Solutions, LLC	3/2/2026		INSTRUCTIONAL SUPPLIES	6200	101.78	0000002551
047791	0000000322	New Direction Solutions, LLC	3/2/2026		INSTRUCTIONAL SUPPLIES	6200	169.64	0000002551
047791	0000000322	New Direction Solutions, LLC	3/2/2026		SPECIAL ED SERVICES SLP	6200	693.60	0000002485
047791	0000000322	New Direction Solutions, LLC	3/2/2026	8,556.30	SPECIAL ED SERVICES SLP	6200	2,824.60	0000002485
047792	MV0004	MV MEDICAL CTR MASTER ASSOC	3/2/2026	1,357.00	MV property association fees	6200	1,357.00	0000002421
047793	OF0001	OFFICE DEPOT	3/2/2026		Admin Office Supplies - 15%	6200	12.22	0000002467
047793	OF0001	OFFICE DEPOT	3/2/2026		Student Supplies - GenEd 80%	6200	69.29	0000002467
047793	OF0001	OFFICE DEPOT	3/2/2026		Student Supplies - GenEd 80%	6200	19.31	0000002467
047793	OF0001	OFFICE DEPOT	3/2/2026	104.23	Admin Office Supplies - 15%	6200	3.41	0000002467
047794	PVCS02	PACIFIC VIEW CHARTER SCHOOL	3/2/2026	18,130.94	Mortgage - Oside	6200	18,130.94	
047795	PVCS04	PACIFIC VIEW CHARTER SCHOOL	3/2/2026	12,355.89	Mortgage - MV	6200	12,355.89	
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	102.45	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	42.32	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		STUDENT SUPPLIES - AMAZON	6200	9.73	0000002434
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	18.60	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	17.31	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	23.90	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026		INSTRUCTIONAL SUPPLIES	6200	58.50	0000002433
047938	0000000304	Amazon.com Sales, Inc.	3/4/2026	282.50	TEXTBOOK REPLACEMENT	6200	9.69	0000002444
047939	0000000347	NBCUniversal, LLC	3/4/2026	3,400.00	TV COMMERCIAL NBC	6200	3,400.00	0000002540
047940	CS0008	SOUTH COUNTY PEST CONTROL, INC	3/4/2026	140.00	Pest Control - Both Campuses	6200	140.00	0000002427
047941	JP0001	JAN-PRO OF SAN DIEGO	3/4/2026	3,799.00	Oceanside janitorial services	6200	3,799.00	0000002418
047942	WM0001	WASTE MANAGEMENT	3/4/2026	239.11	MV Trash & recycle collection	6200	239.11	0000002419
048143	0000000230	Baker Tilly US, LLP	3/9/2026	2,362.50	2026 990 tax return	6200	2,362.50	0000002611
048144	0000000261	GoTo Technologies USA, Inc	3/9/2026		Phones Oside - Student 85%	6200	754.84	0000002462
048144	0000000261	GoTo Technologies USA, Inc	3/9/2026		Phones Oside - Admin 15%	6200	133.21	0000002462
048144	0000000261	GoTo Technologies USA, Inc	3/9/2026		Phones MV - Admin 15%	6200	40.82	0000002463
048144	0000000261	GoTo Technologies USA, Inc	3/9/2026	1,160.19	Phones MV - Student 85%	6200	231.32	0000002463
048145	0000000266	Top Notch Catering	3/9/2026		Student Nutrition Food - Gen E	6200	8,802.72	0000002519

PACIFIC VIEW CHARTER
BOARD WARRANT REPORT
MARCH 1-31, 2026

Warrant ID	Remit Supp	Name	Payment Date	Total Warrant Amount	Descr	Fund	Invoice Fund Amount	PO No.
048145	0000000266	Top Notch Catering	3/9/2026	11,003.40	Student Nutrition Food - Sped	6200	2,200.68	0000002519
048146	0000000304	Amazon.com Sales, Inc.	3/9/2026		Bldg, M&O supplies	6200	48.38	0000002395
048146	0000000304	Amazon.com Sales, Inc.	3/9/2026		TEXTBOOK REPLACEMENT	6200	38.45	0000002444
048146	0000000304	Amazon.com Sales, Inc.	3/9/2026	116.58	Bldg, M&O supplies	6200	29.75	0000002395
048147	0000000322	New Direction Solutions, LLC	3/9/2026		INSTRUCTIONAL SUPPLIES	6200	33.93	0000002551
048147	0000000322	New Direction Solutions, LLC	3/9/2026		SPECIAL ED SERVICES SLP	6200	1,553.53	0000002485
048147	0000000322	New Direction Solutions, LLC	3/9/2026	3,113.38	SPECIAL ED SERVICES SLP	6200	1,525.92	0000002485
048148	JP0001	JAN-PRO OF SAN DIEGO	3/9/2026	1,540.00	Oceanside janitorial services	6200	1,540.00	0000002418
048149	NA0002	NANPOR SECURITY SERVICES	3/9/2026	3,548.50	Campus Security Guard-Oside	6200	3,548.50	0000002422
048150	OF0001	OFFICE DEPOT	3/9/2026	68.71	Admin Office Supplies - 15%	6200	68.71	0000002467
048280	0000000152	Reliable Translations Inc.	3/11/2026	171.00	Translation services	6200	171.00	0000002508
048281	0000000304	Amazon.com Sales, Inc.	3/11/2026		SPED instructional supplies	6200	192.12	0000002487
048281	0000000304	Amazon.com Sales, Inc.	3/11/2026	212.66	INSTRUCTIONAL SUPPLIES	6200	20.54	0000002433
048282	MY0001	YOUNG, MINNEY & CORR, LLP	3/11/2026	1,062.50	Legal counsel	6200	1,062.50	0000002413
048453	0000000152	Reliable Translations Inc.	3/16/2026	171.00	TRANSLATION SERVICES	6200	171.00	0000002508
048454	0000000358	Lotus San Diego Corp	3/16/2026	510.00	RADIO ADS	6200	510.00	0000002615
048455	OF0001	OFFICE DEPOT	3/16/2026		Admin Office Supplies - 15%	6200	41.51	0000002467
048455	OF0001	OFFICE DEPOT	3/16/2026	104.89	Admin Office Supplies - 15%	6200	63.38	0000002467
048567	0000000322	New Direction Solutions, LLC	3/18/2026		Physical Therapy	6200	101.78	0000002551
048567	0000000322	New Direction Solutions, LLC	3/18/2026		SPECIAL ED SERVICES SLP	6200	2,824.60	0000002485
048567	0000000322	New Direction Solutions, LLC	3/18/2026		SPECIAL ED SERVICES SLP	6200	2,705.04	0000002485
048567	0000000322	New Direction Solutions, LLC	3/18/2026		SPECIAL ED SERVICES SLP	6200	2,635.68	0000002485
048567	0000000322	New Direction Solutions, LLC	3/18/2026	8,402.81	Physical Therapy	6200	135.71	0000002551
048760	0000000304	Amazon.com Sales, Inc.	3/23/2026		INSTRUCTIONAL SUPPLIES	6200	8.78	0000002433
048760	0000000304	Amazon.com Sales, Inc.	3/23/2026		INSTRUCTIONAL SUPPLIES	6200	75.04	0000002433
048760	0000000304	Amazon.com Sales, Inc.	3/23/2026		HALLWAY CAMERAS	6200	368.00	0000002612
048760	0000000304	Amazon.com Sales, Inc.	3/23/2026		TEXTBOOK REPLACEMENT	6200	8.06	0000002444
048760	0000000304	Amazon.com Sales, Inc.	3/23/2026	481.48	STUDENT SUPPLIES - AMAZON	6200	21.60	0000002434
048761	0000000322	New Direction Solutions, LLC	3/23/2026	2,824.60	SPECIAL ED SERVICES SLP	6200	2,824.60	0000002485
048960	0000000152	Reliable Translations Inc.	3/25/2026	171.00	TRANSLATION SERVICES	6200	171.00	0000002508
048961	0000000304	Amazon.com Sales, Inc.	3/25/2026		INSTRUCTIONAL SUPPLIES	6200	114.87	0000002433
048961	0000000304	Amazon.com Sales, Inc.	3/25/2026		Bldg, M&O supplies	6200	37.87	0000002395
048961	0000000304	Amazon.com Sales, Inc.	3/25/2026		INSTRUCTIONAL SUPPLIES	6200	8.89	0000002433
048961	0000000304	Amazon.com Sales, Inc.	3/25/2026	251.03	INSTRUCTIONAL SUPPLIES	6200	89.40	0000002433
049133	0000000321	Honors Graduation, LLC	3/30/2026	8,233.00	GRADUATION CAP/GOWN & DIPLIMAS	6200	8,233.00	0000002620

PACIFIC VIEW CHARTER
BOARD WARRANT REPORT
MARCH 1-31, 2026

Warrant ID	Remit Supp	Name	Payment Date	Total Warrant Amount	Descr	Fund	Invoice Fund Amount	PO No.
049134	0000000322	New Direction Solutions, LLC	3/30/2026		SPECIAL ED SERVICES SLP	6200	2,150.16	0000002485
049134	0000000322	New Direction Solutions, LLC	3/30/2026		SPECIAL ED SERVICES SLP	6200	2,824.60	0000002485
049134	0000000322	New Direction Solutions, LLC	3/30/2026	5,008.69	Physical Therapy	6200	33.93	0000002551
049135	MV0004	MV MEDICAL CTR MASTER ASSOC	3/30/2026	1,357.00	MV property association fees	6200	1,357.00	0000002421
049136	NA0002	NANPOR SECURITY SERVICES	3/30/2026	3,548.50	Campus Security Guard-Oside	6200	3,548.50	0000002422
049137	OF0001	OFFICE DEPOT	3/30/2026		Admin Office Supplies - 15%	6200	18.11	0000002465
049137	OF0001	OFFICE DEPOT	3/30/2026		Admin Office Supplies - 15%	6200	9.34	0000002465
049137	OF0001	OFFICE DEPOT	3/30/2026		Student Supplies - GenEd 80%	6200	37.32	0000002467
049137	OF0001	OFFICE DEPOT	3/30/2026		Admin Office Supplies - 15%	6200	83.80	0000002465
049137	OF0001	OFFICE DEPOT	3/30/2026		Admin Office Supplies - 15%	6200	32.78	0000002467
049137	OF0001	OFFICE DEPOT	3/30/2026		Student Supplies - GenEd 80%	6200	154.41	0000002465
049137	OF0001	OFFICE DEPOT	3/30/2026	374.36	Student Supplies - SpEd 20%	6200	38.60	0000002465
049138	PVCS02	PACIFIC VIEW CHARTER SCHOOL	3/30/2026	18,130.94	Mortgage - Oside	6200	18,130.94	
049139	PVCS04	PACIFIC VIEW CHARTER SCHOOL	3/30/2026	12,355.89	Mortgage - MV	6200	12,355.89	
14404736	0000000218	San Diego & Imperial County Schools FBC	3/2/2026	52.84	COBRA	6200	52.84	
14404737	0000000232	U.S. Bank	3/2/2026		Student supplies - MV	6200	116.17	0000002406
14404737	0000000232	U.S. Bank	3/2/2026		Stamps.com service fee	6200	30.99	0000002468
14404737	0000000232	U.S. Bank	3/2/2026		Admin, Office Supplies - Oside	6200	54.55	0000002402
14404737	0000000232	U.S. Bank	3/2/2026		Student supplies - Oside	6200	237.76	0000002402
14404737	0000000232	U.S. Bank	3/2/2026		Janitorial Supplies - Oside	6200	388.75	0000002402
14404737	0000000232	U.S. Bank	3/2/2026		Admin, Office Supplies - MV	6200	32.45	0000002406
14404737	0000000232	U.S. Bank	3/2/2026		Janitorial Supplies - MV	6200	68.48	0000002406
14404737	0000000232	U.S. Bank	3/2/2026		Student Nutrition - MV	6200	1,056.01	0000002406
14404737	0000000232	U.S. Bank	3/2/2026		INSTRUCTIONAL SUPPLIES US BANK	6200	34.67	0000002435
14404737	0000000232	U.S. Bank	3/2/2026		SWAG, OTHER MATERIALS, SCHOOL	6200	849.40	0000002460
14404737	0000000232	U.S. Bank	3/2/2026		Admin Postage - 33%	6200	198.00	0000002468
14404737	0000000232	U.S. Bank	3/2/2026		Student GenEd Postage - 56%	6200	336.00	0000002468
14404737	0000000232	U.S. Bank	3/2/2026		Student SpEd Postage - 11%	6200	66.00	0000002468
14404737	0000000232	U.S. Bank	3/2/2026		Stamps.com MV service fee	6200	30.99	0000002469
14404737	0000000232	U.S. Bank	3/2/2026		STUDENT ENRICHMENT - US BANK	6200	167.47	0000002500
14404737	0000000232	U.S. Bank	3/2/2026		GOOGLE ADS	6200	1,950.15	0000002503
14404737	0000000232	U.S. Bank	3/2/2026		SOCIAL MEDIA ADVERTISING	6200	234.57	0000002504
14404737	0000000232	U.S. Bank	3/2/2026		ED PUZZLE	6200	13.50	0000002527
14404737	0000000232	U.S. Bank	3/2/2026		CCSA Conference Expenses-Lodgi	6200	290.20	0000002576
14404737	0000000232	U.S. Bank	3/2/2026	6,340.89	NEXTDOOR AD	6200	184.78	0000002597

PACIFIC VIEW CHARTER
BOARD WARRANT REPORT
MARCH 1-31, 2026

Warrant ID	Remit Supp	Name	Payment Date	Total Warrant Amount	Descr	Fund	Invoice Fund Amount	PO No.
14404738	0000000245	San Diego Sports Officials	3/2/2026	670.00	SPORTS REFEREE- BASKETBALL	6200	670.00	0000002609
14404739	0000000294	Lamar Texas Limited Partnership	3/2/2026	2,500.00	BILLBOARD AD	6200	2,500.00	0000002515
14404740	0000000308	Rebecca Koos	3/2/2026	84.25	Reimbursement	6200	84.25	
14404741	0000000309	T-Mobile USA Inc	3/2/2026	35.13	T-MOBILE STUDENT PHONE	6200	35.13	0000002514
14404742	RH0001	RONALD LARRY HOLDEN	3/2/2026	2,700.00	Janitorial Services MoVal	6200	2,700.00	0000002397
14406603	0000000043	Vortex Industries, Inc	3/5/2026	1,246.88	Lock repair - MV front door	6200	1,246.88	0000002610
14406604	0000000283	Whitehouse CPAs, Inc	3/5/2026	10,650.00	Back office services	6200	10,650.00	0000002411
14406605	AD0002	ADT SECURITY SERVICES	3/5/2026	83.55	ADT SECURITY MV	6200	83.55	0000002472
14406606	CI0003	AT&T MOBILITY	3/5/2026	409.41	Cell phone service	6200	409.41	0000002417
14406607	DS0003	SPARKLETTS & SIERRA SPRINGS	3/5/2026	5.83	Bottled Water Serivce - Both c	6200	5.83	0000002491
14406608	MV006	MORENO VALLEY UTILITY	3/5/2026	248.85	Electric Utility - Moreno Vall	6200	248.85	0000002425
14406609	NA0005	NATIONAL BENEFIT SERVICES, LLC	3/5/2026	78.00	Cafe 125 Admin Fees	6200	78.00	0000002403
14406610	ON0002	ONE STOP TONER & INKJET	3/5/2026	1,778.93	ONE STOP TONER	6200	1,778.93	0000002479
14407834	CO0008	COX BUSINESS SERVICES	3/9/2026		Student 85%	6200	138.27	0000002489
14407834	CO0008	COX BUSINESS SERVICES	3/9/2026	162.67	Admin 15%	6200	24.40	0000002489
14407835	PVRM01	ROBERT MERRILL	3/9/2026	1,868.61	Advertising Reimbursement	6200	1,868.61	
14407836	SA0008	SAN DIEGO GAS & ELECTRIC	3/9/2026	4,050.64	Electric Utility - Oceanside	6200	4,050.64	0000002426
14409551	0000000307	AKA Enterprises LLC	3/12/2026	300.00	Canine search service	6200	300.00	0000002410
14410572	0000000007	Cordata Shredding	3/16/2026	443.05	Off-Site Secure Storage	6200	443.05	0000002499
14410573	RT0001	Cintas Fire Protection	3/16/2026	530.74	CINTAS MV FIRE SPRINKLERS	6200	530.74	0000002474
14412152	EM0001	EASTERN MUNICIPAL WATER DIST	3/19/2026	312.71	Water Utility - MV	6200	312.71	0000002424
14412153	SS0002	SECURITY SIGNAL DEVICES, INC.	3/19/2026	757.68	SSD FIRE MORENO VALLEY	6200	757.68	0000002473
14413384	ON0002	ONE STOP TONER & INKJET	3/23/2026	439.44	ONE STOP TONER	6200	439.44	0000002479
14413385	VC0003	FRONTIER	3/23/2026		MV Admin internet - 25%	6200	36.71	0000002416
14413385	VC0003	FRONTIER	3/23/2026	146.86	MV Student internet - 75%	6200	110.15	0000002416
14414930	0000000362	Jaquelyn Gentry	3/26/2026		Conference expense reimbursement	6200	179.40	
14414930	0000000362	Jaquelyn Gentry	3/26/2026	313.53	Conference expense reimbursement	6200	134.13	
14414931	PF0001	PALOMAR FAMILY COUNSELING	3/26/2026	11,020.50	Counseling Services	6200	11,020.50	0000002531
14414932	VC0001	VCC OCEAN RANCH CONDO. ASSOC.	3/26/2026	6,804.00	Property association fees	6200	6,804.00	0000002420
14414933	VT0001	V TECHNOLOGY SOLUTION	3/26/2026	4,988.00	AVAST ANTI-VIRUS	6200	4,988.00	0000002614
				193,761.02			193,761.02	

Pacific View Charter Board Meeting
April 21, 2026

Fiscal & Operations

AGENDA ITEM

5.2.2 - 2026-27 Annual Resolutions Authorized Designated Agents

Information Summary
Annual Resolutions of designated agents for the county of San Diego. The resolutions presented name persons authorized to act on behalf of the school district for the following:

- Receive mail and pick up warrants at the county office of education,
- Sign commercial warrants,
- Reissue new payroll and commercial warrants, and
- Name staff that will certify that each employee has signed the oath of allegiance.

Responsible Party
Fiscal and Operations Coordinator Chang will discuss the annual resolutions.

Recommended Action:
That the Board approves the annual resolutions as presented.

Top

San Diego County Office of Education Main Campus
6401 Linda Vista Road, San Diego, CA 92111
858-292-3500 | www.sdcoe.net

Bulletin

Topic: Annual Resolutions Authorized Designated Agents

Date: March 24, 2026

To: Chief Administrative Officers
Business Managers

From: Matthew Gilroy
Payroll Services Manager
Business Services

Pursuant to various sections of the Education Code, it is necessary that the governing board pass a series of resolutions prior to the beginning of each fiscal year in order to maintain a current register of persons authorized to act on behalf of the school district.

It is recommended that the governing board take necessary action for completion of the attached resolutions by its first meeting in May. The following fiscal year is the normal effective period for each resolution; however, the resolution forms are designed so that midyear changes can be made. Additions and/or deletions must be made by submitting **Revised (Board Approved)** resolutions to the County Office.

Exact specimen signatures must be on the resolution forms as they will appear on the documents. Where facsimile (rubber stamp) signature is to be used, the resolution form must illustrate both the manual signature and the facsimile. Additionally, only the mail addressee or authorized designee may pick up mail or warrants at the County Office of Education.

Please complete each resolution and return the originals to Marisa Pulido, Room 607 by June 22, 2026.

If you have questions regarding resolutions 1, 2 or 5, or the requirements at the San Diego County Office of Education, please contact Marisa Pulido at (858) 292-3555.

If you have questions regarding resolution 4 or the procedures for changing revolving cash funds, please call Sheri Walden at (858) 295-6692.

San Diego County Superintendent of Schools Dr. Gloria E. Ciriza

San Diego County Board of Education
Dr. Gregg Robinson, District 1 Guadalupe González, District 2 Alicia Muñoz, District 3
Dr. Erin Evans, District 4 Rick Shea, District 5

REMINDER -- Please review the authorized personnel on your Revolving Cash Funds each year. You must update the information if the authorized personnel leave/change.

The resolution forms are now a Writable PDF document. We hope this will make it easier for you to fill in your district's information.

MG:MP
Enclosures

RESOLUTION # 1-2026-2027

RESOLUTION DESIGNATING AUTHORIZED AGENT TO RECEIVE MAIL AND PICK UP WARRANTS AT THE COUNTY OFFICE OF EDUCATION

Pacific View Charter School School District, San Diego County ON MOTION

OF member _____, seconded by member _____

effective July 1, 2025 through June 30, 2027

IT IS RESOLVED AND ORDERED that:

1. The authorized agent (**one *person only)*** to receive mail from the Accounting/Payroll Sections is Jill Chang
2. The authorized person(s) or district(s) to pick up warrants from the County Office (other than the mail addressee) are:
   Zuleyma Hernandez
   Erin Gorence
   _____
   _____

		mail	hold	consortium	
3.	Check one	✔			Monthly payroll warrants each and every month.
	Check one	✔			Daily/Hourly payroll warrants each and every month.

IT IS FURTHER RESOLVED that, this motion shall stand and that all additions and deletions shall be submitted in writing to the San Diego County Office of Education.

PASSED AND ADOPTED by said Governing Board on April 21, 2026 (date) by the following vote:

AYES: _____ MEMBERS

NOES: _____ MEMBERS

ABSENT: _____ MEMBERS

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) SS

I, Erin Gorence Clerk of the Governing Board, do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly passed and adopted by said Board at a regularly called and conducted meeting held on said date.

_____
Secretary/Clerk of the Governing Board

Manual signature(s) of authorized person(s):	Facsimile signature(s), if applicable: (Rubber Stamp)

RESOLUTION # 2-2026-2027

PAYMENT ORDER RESOLUTION

Pacific View Charter School District, San Diego County ON MOTION OF member _____, seconded by member_____ effective July 1, 2026 through June 30, 2027.

IT IS RESOLVED AND ORDERED that, in accordance with the provisions of Section 3100 et seq., Chapter 8, Division 4, Title I of the Government Code **(all districts)**, the following person(s) be and is hereby designated to ascertain and certify that each employee of said district has taken the oath of allegiance.

Zuleyma Hernandez or Jill Chang.

IT IS FURTHER RESOLVED AND ORDERED that, in accordance with the payroll procedure provided in Education Code Section 45310 **(merit system districts only)**, no warrant shall be drawn by or on behalf of the governing board of this district for the payment of any salary or wage to any employee in the classified service unless the assignment bears the certification of the following person:

n/a, _____
(Title)

IT IS FURTHER RESOLVED that this motion shall stand and that all additions and deletions shall be submitted in writing to the San Diego County Office of Education.

PASSED AND ADOPTED by said Governing Board on April 21, 2026 (date) by the following vote:

AYES:_____MEMBERS

NOES:_____MEMBERS

ABSENT:_____MEMBERS

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) SS

I, Erin Gorence, Clerk of the Governing Board, do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly passed and adopted by said Board at a regularly called and conducted meeting held on said date.

_____
Secretary/Clerk of the Governing Board

Manual signature(s) of authorized person(s):

Facsimile signature(s), if applicable:
(Rubber Stamp) Gov Code Sec. 5501

_____ _____

_____ _____

_____ _____

RESOLUTION # 3-2026-2027

RESOLUTION DESIGNATING AUTHORIZED AGENT TO SIGN SCHOOL ORDERS (COMMERCIAL WARRANTS)

Pacific View Charter School School District, San Diego County ON MOTION

OF member _____, seconded by member _____

effective July 1, 2026 through June 30, 2027.

IT IS RESOLVED AND ORDERED that, pursuant to the provisions of Education Code Section 42632 or 85232, Erin Gorence, Jill Chang & Gayl Johnson be and is hereby authorized to sign any and all orders in the name of said District, drawn on the funds of said District.

IT IS FURTHER RESOLVED that this motion shall stand and that all additions and deletions shall be submitted in writing to the San Diego County Office of Education.

PASSED AND ADOPTED by said Governing Board on _____ by the following vote:
(date)

AYES:_____MEMBERS

NOES:_____MEMBERS

ABSENT:_____MEMBERS

STATE OF CALIFORNIA)
COUNTY OF SAN DIEGO) SS

I, Erin Gorence, Clerk of the Governing Board, do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly passed and adopted by said Board at a regularly called and conducted meeting held on said date.

_____
Secretary/Clerk of the Governing Board

Manual signature(s) of authorized person(s):	Facsimile signature(s), if applicable: (Rubber Stamp)
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Pacific View Charter SCHOOL DISTRICT

RESOLUTION 4-2026-2027 AUTHORIZING THE REPLACEMENT OF WARRANTS

On a motion of Member _____, seconded by Member_____ the following
Resolution is adopted:

WHEREAS, during the course of business, this School District issues payroll and commercial warrants for the payments of goods and services received by the District; and
WHEREAS, payroll and commercial warrants are lost, stolen, mutilated, or expire upon occasion; and
WHEREAS, a petition for issuance of a new warrant may be presented by the payee pursuant to Government Code section 29802.
NOW, THEREFORE BE IT RESOLVED by the governing Board of the
Pacific View Charter
School District of San Diego County, California, that the following persons shall be authorized to reissue new payroll and commercial warrants upon presentation of a properly completed petition for issuance of a new warrant if such new warrant does not exceed the amount of the original warrant.

	Manual Signature	Facsimile Signature
Superintendent	_____	_____
Assistant Superintendent, Business Services	_____	_____
Assistant Superintendent, Employer/Employee Relations	_____	_____
Assistant Superintendent, Educational Services	_____	_____
Director of Accounting	_____	_____

PASSED AND ADOPTED by said Governing Board on _____

AYES: _____

NOES: _____

ABSENT: _____

I, Erin Gorence Clerk of the Governing Board, do hereby certify that the foregoing is a full, true, and correct copy of a resolution adopted by the Governing Board at a regularly called and conducted meeting held on said date.

_____
Clerk of the Governing Board

Pacific View Charter Board Meeting
April 21, 2026

Fiscal & Operations

AGENDA ITEM

5.2.3 - FCMAT Charter School Accounting and Best Practices Manual

Information Summary
The California Charter School Accounting and Best Practices Manual (revised 2022) is designed for charter school administrators, governing board members, fiscal services administrators, accountants, back office service providers and others who are responsible for charter school activities. FCMAT recognizes the increasing demands on charter school leaders, and this manual is designed to help leaders meet those demands while maintaining fiscal accountability, transparency and accuracy.

This manual was developed to help charter schools follow legal requirements as well as FCMAT recommendations.

In the course of its fiscal operations, Pacific View Charter reaffirms its practice to consider and implement, as applicable and appropriate, the guidance set forth in the California Charter School Accounting and Best Practices Manual as published and periodically revised by the Fiscal Crisis and Management Assistance Team (FCMAT).

Responsible Party
Fiscal and Operations Coordinator Chang will discuss the FCMAT Charter School Accounting and Best Practices Manual.

Recommended Action:
That the Board approves the continued use of the FCMAT Charter School Accounting and Best Practices Manual (revised 2022) version.

Top

CALIFORNIA

Charter School Accounting and Best Practices Manual

2022-23

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

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Publishing Information

The California Charter School Accounting and Best Practices Manual is published by the Fiscal Crisis and Management Assistance Team (FCMAT)
1300 17th Street, Bakersfield, CA 93301

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A complete, printable version of this publication may be downloaded at no charge at www.fcmat.org.

Foreword

The Fiscal Crisis and Management Assistance Team (FCMAT) is pleased to present the third version of the California Charter School Accounting and Best Practices Manual. Initially published in 2017, the manual continues to be a widely used resource. In this revision, FCMAT has added information in response to questions received and answered via FCMAT's online help desk and from assisting colleagues in the field, as well as revised information based on updated laws and clarification, especially related to transitional kindergarten and the local control and accountability plan.

Established in 1992 by the Legislature as an independent state-funded entity, FCMAT helps California's local educational agencies (LEAs) fulfill their financial and managerial responsibilities by providing fiscal advice, management assistance, training, resources and other related school business services. FCMAT's work ranges from the state policy level to the operational level at schools. This manual is an example of FCMAT's direct support, assistance and leadership to educational agencies statewide.

The California Charter School Accounting and Best Practices Manual is designed for charter school administrators, governing board members, fiscal services administrators, office managers, accountants, back office service providers, bookkeepers, secretaries and others who are responsible for charter school activities. FCMAT recognizes the increasing demands on charter school leaders, and this manual is designed to help leaders meet them while maintaining fiscal accountability, transparency and accuracy.

This manual has been developed to help charter schools follow legal requirements as well as FCMAT recommendations. The manual covers finance and best practices for operations in other areas. It is intended to serve as an initial guide to some of the main areas in which FCMAT finds charter schools need assistance. It is not intended to be exhaustive and creates no procedural or substantive rights for any individual, group, or entity.

The manual seeks to answer questions and provide guidance in many areas concerning charter schools, including laws, accounting, oversight, nonprofit or exempt status, internal controls, best practices and various roles and responsibilities.

FCMAT will publish periodic revisions to this manual. Suggestions about how to improve this document and make it more useful are always welcome.

FCMAT acknowledges the many people who have taken part in producing this manual. Their time, dedication and shared expertise have been invaluable.

Michael H. Fine, Chief Executive Officer
Fiscal Crisis and Management Assistance Team

Chapter 1 – Introduction

Intent of the California Charter School Accounting and Best Practices Manual

Each chapter of this manual covers one or more critical aspects of charter school financial management and related areas. The manual is intended to be a comprehensive guide to charter school accounting policies and procedures, and a reference to other valuable financial and accounting resources. Its intent is to help charter schools navigate accounting policies and procedures, as well as other common functions. It is not prescriptive for items not required by law; rather, it is intended to be assistive.

Because current laws do not cover every aspect of charter school operations, the guidance in this manual goes beyond the law and official regulations to include information based on best practices and sound internal controls essential to successful charter school operations throughout California. Charter schools come in many shapes, sizes and configurations, so not every practice in this manual will apply to every charter, nor will position titles used always match those in charter schools because of variations in schools' sizes and structures.

It is best practice for charter schools to have the following:

- Comprehensive and current governing board policies and administrative procedures regarding accounting, operations, and human resources that provide guidance for school governance and operations beyond what is in the law, including policies, procedures, best practices, and internal controls.
- A detailed, comprehensive and user-friendly charter school accounting policies and procedures manual; employee manual; human resources policies and procedures manual; facilities and operations manual; and associated student body manual.
- Ongoing training for all staff members.

This manual includes links to sample downloadable forms to help charter schools as they develop their own forms and procedures.

This Fiscal Crisis and Management Assistance Team *California Charter School Accounting and Best Practices Manual* may also be adopted to supplement a charter school's board policies or procedures even if the charter school already has an accounting manual. Sample board policy language for this is as follows:

> The Governing Board of the _____Charter School adopts, on an ongoing basis, the most recent Fiscal Crisis and Management Assistance Team (FCMAT) *California Charter School Accounting and Best Practices Manual* as the_____ Charter School's accounting policies and procedures manual or to supplement the Charter School's accounting policies and procedures. In the event of any conflict between the most recent FCMAT Charter School Accounting and Best Practices Manual and the _____ Charter School's accounting policies and procedures, the _____Charter School's policies and procedures will prevail.

This type of language gives a charter school clarity and the flexibility to follow its own policies and procedures when they differ from those in this manual.

The Need to Focus on Finance

In FCMAT's experience, when charter schools fail it is often due to one or more of the following: lack of knowledge about school finance and business; lack of appropriate accounting practices; lack of financial management; uncontrolled spending. Charter operators often focus their energies on the mission, vision and educational program and provide less attention to a school's fiscal management. Sound financial management, including understanding, establishing, implementing and monitoring proper internal controls and accounting policies and procedures, is essential to a charter school's ability to achieve its mission.

Many new charter schools begin without a deep understanding of the knowledge, competency and time needed for charter school fiscal management. In addition, when established charter schools experience changes such as rapid growth, added schools, or changes in administration or management, fiscal policy and financial monitoring is essential to maintain integrity. Staff should ensure that they follow established accounting procedures and internal controls, and administrators should ensure that staff have sufficient guidance and training to do so.

Appropriate communication, standardization, training and oversight are critical to ensure that the correct processes and procedures are followed. Local communities and members of the public are typically sensitive to charter school issues and often pay special attention to this area. The media are also often quick to report on these issues.

The latest version of the Charter School Accounting and Best Practices Manual is revised as a result of legislative changes, and other clarifications are included where necessary. When using this manual, please be sure to always reference the Education Code (EC), Government Code (GC), new legislation, and CDE advisories relating to charter school matters.

FCMAT's goal is that this manual facilitate a better understanding and navigation of charter school accounting policies and procedures. As new legislation is passed and statutory regulations are enacted, the manual will continue to require revisions. FCMAT welcomes suggestions for improvements or changes to this document.

This guide uses paraphrased sections of pertinent laws and regulations when they are referenced. For a more meaningful understanding and thorough review, readers will need to refer to the entire relevant code section in context.

Charter Schools Overview

The legislative intent of the Charter Schools Act of 1992 is to "provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure ..." The intent is for charter schools to provide expanded choice and learning opportunities for all pupils that encourage different and innovative teaching methods. Expanded choices that engage students and that are performance-based create new professional opportunities for teachers and options for parents and pupils.

Charter schools are tuition-free, nonsectarian public schools open to any student who wishes to attend, subject to capacity and to geographic restrictions outlined in education code. They are schools of choice, which means that parents select the school they want their student to attend and, just as in a traditional transitional kindergarten through grade 12 (TK-12) public school, the education is free.

A charter school is a public school that may provide instruction in any combination of grades (transitional kindergarten through grade 12). Parents, teachers, or community members may initiate a charter petition, which is typically presented to and approved by a local school district's governing board. The law also

grants chartering authority to county boards of education and the State Board of Education under certain circumstances, such as on appeal following a school district governing board's denial of a charter petition, or the direct approval of countywide charter schools.

Charter schools are:

- Funded based on average daily attendance.
- Freed from many state regulations that apply to school districts and county offices of education.
- Usually able to hire their own teachers and other staff (unless agreement with the charter's authorizer states differently).
- Subject to closure if they fail to meet their promises for student outcomes or violate generally accepted accounting principles.

The California Education Code (EC) discusses charter schools in Part 26.8, Sections 47600-47663, which provide general provisions for charter schools, establishment of charter schools, operations, notice, funding determinations, reporting requirements, facilities, notice/evaluation of effectiveness, special education, and computations that affect the authorizing local educational agency's enrollment exclusions and in-lieu property taxes.

Charter schools have grown significantly over the last decade. As of the beginning of the 2018-19 school year, 1,306 charter schools and seven all-charter districts were operating in California serving more than 600,000 students, or approximately 10% of public school students.

Many school districts consider charter schools valuable partners that offer pupils more choices of educational programs to meet their diverse educational needs and priorities.

Listed below are various entities that provide additional information and/or various resources for charter schools. Many county offices of education and large charter school authorizers have dedicated charter resource staff. Those seeking extra support can usually contact those staff members for assistance or information on similar charters that they can contact and network with. Typically, people working in education are willing to share their best practices and experiences with others.

The California Department of Education (CDE) provides extensive information and resources for charter schools on its website at http://www.cde.ca.gov/sp/cs/. The CDE website has sections on charter school administration and support; announcements and current issues; laws, regulations and policies; and resources.

The California School Boards Association (CSBA) has several resources on its website at https://www.csba.org/CharterSchools and has issued a guide titled *Charter Schools: A Guide for Governance Teams,* which discusses the following:

- How charter school laws have evolved over the years
- Charter school governing boards' roles
- Charter petition review process
- What should be included in a memorandum of understanding
- Converting low-performing schools to charter schools
- Allocation of space for facilities to charter schools
- Oversight responsibilities of the authorizing board

- Revocation of charters and closure

The California Charter Schools Association (CCSA) at http://www.ccsa.org also provides extensive guidance on understanding, starting and operating charter schools. CCSA members receive access to a comprehensive portfolio of programs and services for operating charter schools, charter development teams, charter support organizations, charter-friendly businesses, and charter professionals. The CCSA has also developed interactive spreadsheets for charter school budget, cash flow, personnel and payroll, and start-up costs to help guide charter petitioners through developing a comprehensive multiyear financial projection.

The Charter Schools Development Center (CSDC) at http://www.chartercenter.org/ also offers expertise in all aspects of charter operations, including finance, policy, and governance. The center's legal updates are helpful, and it has recently developed a job search resource specific to charter schools. It offers many resources like those the CCSA provides.

Behind every charter school is an authorizer. The National Association of Charter School Authorizers (NACSA) at https://www.qualitycharters.org is a national organization that has identified key authorizer responsibilities in five areas:

- Agency commitment and capacity.
- The application process and decision-making.
- Performance contracting.
- Ongoing oversight and evaluation.
- Revocation and renewal decision-making.

Independent and Dependent Charter Schools

Although the terms *independent* and *dependent* are not defined in the Charter Schools Act, they are often used to describe the relationship between an authorizer and a charter school.

Typically, when a charter school is described as dependent, it has been created by a district's governing board and is treated as another one of the district's schools. Often this type of charter school is also what the Charter Schools Act describes as a conversion charter school. This means it has been converted from an existing public school and required the signatures of at least 50% of the permanent teachers employed at the public school to be converted (EC 47605(a)(2)).

In contrast, charter schools described as independent have usually been formed by parents, teachers, community members, or charter management organizations. This type of school is also often what the Charter Schools Act describes as a startup school. This means it has been established with the signatures of the parents or guardians of at least half the number of students that the charter school estimates will enroll in the school, or at least half the number of teachers that the charter school estimates it will hire (EC 47605(a)(1)(A)(B)).

Regardless of the type of charter school or the terms used, the Education Code states that they will "operate independently from the existing school district structure" (EC 47601). Authorizers must ensure that their relationship with a charter school is balanced with their role as the charter school's oversight agency and with the statutory directive that a charter school operate independently from the public school system. Authorizers must be able to ensure that a charter school maintains compliance with the charter petition, the memorandum of understanding, and the law, including conflict of interest provisions.

Types of Charter Schools

Although there are many descriptors of charter schools, they usually fall into the following three categories: classroom-based, nonclassroom-based, and a combination of both.

Classroom-Based Charter Schools

Education Code Section 47612.5(e)(1) states that classroom-based instruction in a charter school occurs only when the following take place:

- Charter school pupils are engaged in educational activities required of those pupils and are under the immediate supervision and control of an employee of the charter school who possesses a valid teaching certification in accordance with EC 47605(l) and 47612.5(e)(3).
- At least 80% of the instructional time is offered at the school site.
- The school is used principally as a classroom.
- The pupils attend for at least 80% of the minimum instructional time required under EC 47612.5(a) (1).

Nonclassroom-Based Charter Schools

EC Section 47612.5(e)(2) and 5 CCR §11963.1-11963.7 define nonclassroom-based instruction and prohibit a charter school from receiving any funding for nonclassroom-based instruction unless the State Board of Education (SBE) determines that it is eligible for funding. Assembly Bill 1505, approved by the Governor on October 3, 2019, prohibits the approval of a new charter school that offers nonclassroom-based instruction, including virtual schools, and a charter that is funded as a nonclassroom-based charter school effective January 1, 2020 through January 1, 2022. However, this prohibition was amended by AB 130 Section 58, which extended the prohibition through January 1, 2025.

Nonclassroom-based charter schools differ from traditional charter schools in that they deliver instruction outside of the classroom. Nonclassroom-based instruction includes home schooling and various forms of independent study, including computer-based instruction using software modules and teacher-directed distance learning.

Nonclassroom-based charter schools are considered independent study charter schools; however, the definition of independent study as it relates to charter school funding is different than it is for noncharter TK-12 schools. Independent study charter school teachers should continue to maintain samples of student work that are signed, dated and turned in at the end of the learning period, but funding is not lost if the student fails to complete the entire assignment. The school will receive funding for each day the student logs into the system; however, there should be enough work to validate attendance.

Combination Classroom- and Nonclassroom-Based Charter Schools

Combination charter schools have students who receive instruction in classroom-based programs in a traditional school facility as well as those who receive instruction in a nonclassroom-based setting (e.g., online learning and/or independent study programs). The requirements for both classroom- and nonclassroom-based charter schools described above still apply to those respective students.

Resource Centers

Court rulings regarding geographic restrictions have guided charter school services and oversight. In 2013, Anderson Union High School District filed a complaint against Shasta Secondary Home School, a

nonclassroom-based public charter school. The school district alleged that the charter school was operating a resource center illegally within the district's boundaries based on the geographic site restrictions found in the Charter Schools Act (EC Section 47605 et seq.).

In December 2014, a trial court ruled in favor of the charter school, but Anderson Union appealed the decision in August 2015. In October 2016, the Third District Court of Appeals reversed the original finding and held that the geographic restrictions in EC Sections 47605(a) and 47605.1(d) apply to nonclassroom-based charter schools operating out-of-district in-county resource centers. Although Shasta Secondary Home School appealed to the California Supreme Court, on January 18, 2017, the appeal was denied, and the Third District Court's decision became law.

Per EC Section 47605.1(c)(5)(A), a charter school that was operating a resource center, meeting space, or other satellite facility outside the jurisdiction of the school district where the charter school is physically located before January 1, 2020, may continue to operate the resource center, meeting space, or other satellite facility until the charter school submits a request for the renewal of its charter petition. To continue operating the resource center, meeting space, or other satellite facility, the charter school, before submitting the request to the charter school's chartering authority for the renewal of the charter petition, shall first obtain approval in writing from the school district where the resource center, meeting space, or other satellite facility is operating.

Enrollment and Admission

Charter schools are schools of choice, and open to all students interested in attending. Education Code Section 47605(c)(5)(H) requires that a charter petition reasonably describe "admission policies and procedures, consistent with subdivision (e)," which provides that a charter school be nonsectarian in all aspects and prohibits a charter school from charging tuition or discriminating against pupils based on characteristics, such as disability, gender, nationality, race or ethnicity, religion, sexual orientation, or any other characteristics as specified in Education Code Section 220.

This provision allows a charter school to describe its admission requirements, application process, admission preferences, and how lotteries and wait lists will work. When more students want to attend than a charter school can serve, a charter school must use a public random drawing to determine attendance.

Education Code Section 47605(e)(1) requires an existing public school converting partially or entirely to a charter school to adopt and maintain a policy giving admission preference to pupils residing in the former attendance boundaries of that school. Also, statute allows a charter school to extend admission preferences to certain students, provided preferences are approved by the chartering authority at a public hearing and consistent with both federal and state law. (Education Code Section 47605(e)(2)(B))

Parents Not Required to Volunteer or Donate

Because charter schools are tuition-free public schools, parents, as at traditional public schools, are not required to volunteer or donate funds. The charter school cannot require parent involvement as a condition of enrollment; a student cannot be denied enrollment because a parent does not volunteer or does not make a financial contribution to the charter school. While charter schools can encourage engagement, the charter school's policy must be clear that parent volunteering and contributions are not mandatory. Furthermore, charter schools may take no adverse actions against a student or parent that does not or cannot volunteer or contribute.

Chapter 2 - Governance

Charter school governance structures may vary but should always include a governing board with at least three members. Because conducting business always requires a quorum of board members, and because not all board members may be able to attend every board meeting, having five or more board members is preferable. Many charter schools' governing boards include parents, teachers, administrators, staff and community members. Education Code Section 47605(c)(5) states that a charter school petition should include a reasonably comprehensive description of the school's governance structure, including the process to be followed to ensure parental involvement.

One question that often arises is whether faculty and staff members can be governing board members. There is a growing trend of removing staff and faculty from boards to eliminate possible conflicts of interest or the appearance of impropriety. Although there may be no illegality occurring when staff or faculty are on the board, this does create a need for a conflict of interest policy. Legislation has been proposed in the past to force charter schools to discontinue having staff and faculty as board members, but such laws have not been passed as of the publication of this manual. Nevertheless, if a charter school has staff and/or faculty on its board, FCMAT strongly recommends that it have policies that specify when and how staff and faculty should recuse themselves from any agenda items that may create a real or perceived conflict of interest. There are additional considerations regarding conflict of interest; disclosure and recusal are not sufficient in all cases. This is discussed further under Conflict of Interest later in this chapter.

Nonprofit public benefit corporations that operate charter schools in California are subject to the laws in the California Corporations Code governing nonprofit corporations as well as all laws and regulations pertaining to charter schools. This means charter schools are subject to the open meeting requirements in California Government Code Section 54950, commonly referred to as the Ralph M. Brown Act, which require the deliberations and actions of local public agencies to be open to the public.

A charter school must comply with all the provisions of its charter petition, memorandum of understanding (MOU)/agreements and other relevant federal, state and local laws.

Charter schools may also be subject to Government Code Section 1090, Conflict of Interest, if required in the charter petition and/or MOU, or if the charter has a board policy regarding conflict of interest.

Ralph M. Brown Act

The Ralph M. Brown Act requires that all meetings of the legislative body, as defined, of a local agency be open and public and all persons be permitted to attend unless a closed session is authorized. The Bagley-Keene Open Meeting Act requires, with specified exceptions, that all meetings of a state body be open and public and all persons be permitted to attend. Charter schools are subject to the Ralph M. Brown Act and the California Public Records Act. They are also subject to the conflict-of-interest provisions of the Political Reform Act of 1974 and Government Code Section 1090, which apply concurrently with the conflict-of-interest provisions of Corporations Code Section 5233 to a member of the governing body of a charter school, operated by a nonprofit public benefit corporation, who is also a director of that corporation. (EC 47604.1)

Charter Authorizer's Representative on the Charter School Board

If the charter school is operated as a nonprofit public benefit corporation, the charter authorizer is entitled under Education Code Section 47604 to have a representative on the nonprofit corporation's governing board.

If the charter school asks the authorizer to have a board member on the charter school board or the charter school authorizer is considering placing a board member on the charter school board, both the charter school and authorizer should consult with their respective legal counsel.

Delegated Governance

Delegated governance structures, although legal, should be considered carefully before being implemented. This includes charter school-related organizations (CSROs) such as a charter management organization (CMO) and other nonprofit entities including foundations, education management organizations, affiliated entities, the governing board of the nonprofit public benefit corporation, and sole statutory members.

A CMO is an organization that is related or affiliated in any way with the charter school by common management, ownership, delegated governance, or other related party type activities outside of how an independent third-party vendor relationship would act or be engaged. A CMO should not be confused with "back office" personnel or a back-office service provider (BOSP) who do not meet these requirements. See Related Party Disclosures below.

Delegating governance, whether the governance is shared or entirely delegated to a CSRO, impedes the openness, visibility and accountability of charter school governance. It also limits the charter school authorizer's ability to access the information and documentation needed for effective oversight and monitoring of fiscal management and operations. A lack of open, public governance, whether intended or unintended, may increase the chance of conflict of interest, undermine public integrity and accountability, and obscure fiscal and management practices.

Delegated governance structures may also lead to the CSRO having an economic interest in, or control of, a charter school. This can result in a need to consolidate the CSRO and the charter school for financial reporting purposes. If this occurs and financial statements are not issued, it may result in a violation of generally accepted accounting principles.

Before considering any delegated governance, a charter school should consult with its authorizer, legal counsel, and independent auditor to determine if the governance would create a relationship that may require or create the option to issue consolidated financial statements.

Related Party Disclosures

Defining related party is important when it comes to CMOs. If a BOSP meets the definition as related or affiliated through common management, ownership, delegated governance, or other related party type activities outside of a true independent third party vendor, then it could be considered to be a CMO.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 850-10-50 (https://asc.fasb.org/section&trid=2122763#topic-850-10-50-subsect-01-107864) contains the disclosure requirements for related--party relationships and transactions:

- Affiliates of the entity.
- Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity.
- Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.

- Principal owners of the entity and members of their immediate families.
- Management of the entity and members of their immediate families.
- Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.
- Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The FASB ASC glossary also defines the terms: affiliate, control, immediate family, management, and principal owners.

> **Affiliate**: A party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity.
>
> **Control:** The possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an entity through ownership, by contract, or otherwise.
>
> **Immediate Family:** Family members who might control or influence a principal owner or a member of management, or who might be controlled or influenced by a principal owner or a member of management, because of the family relationship.
>
> **Management:** Persons who are responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of tjhe board of directors, the chief executive officer, chief operating officer, vice presidents in charge of principal business functions (such as sales, administration, or finance), and other persons who perform similar policy making functions. Persons without formal titles also may be members of management.
>
> **Principal Owners:** Owners of record or known beneficial owners of more than 10 percent of the voting interests of the entity.

It is the responsibility of management to fully document and disclose to the independent auditors, governing board and the oversight agency all potential related party transactions to comply with Generally Accepted Accounting Principles (GAAP). Failure to disclose related party transactions may be a departure from GAAP that could result in a qualified or adverse opinion and the potential for civil or criminal prosecution.

Sole Statutory Member

Governance structures that reference a sole statutory member or sole member should always be avoided. California Corporate Code Section 5056 defines the term member as follows:

> . . . any person who, pursuant to a specific provision of a corporation's articles or bylaws, has the right to vote for the election of a director or directors or on a disposition of all or substantially all of the assets of a corporation or on a merger or on a dissolution unless the provision granting such right to vote is only effective as a result of paragraph (2) of subdivision (a) of Section 7132. "Member" also means any person who is designated in the articles or bylaws as a member and, pursuant to a specific provision of a corporation's articles or bylaws, has the right to vote on changes to the articles or bylaws.

A sole statutory member is appointed, not elected, but may have all the authority of an elected board member.

Charter schools that enter into sole statutory member relationships modify their articles of incorporation or bylaws to define the sole statutory member's authority. For example, a charter school may form a nonprofit CMO to support the charter school. The CMO, with the help of the charter school, may amend the charter school's bylaws to make the CMO the sole statutory member of the charter school. The CMO's level of authority and control will vary depending on how the charter school's bylaws are amended and on the powers granted to the CMO.

Sole statutory member language may mean the charter school's articles of incorporation or bylaws are created or modified to give an individual or entity that is the sole statutory member authority to do the following:

- Approve a board member of the charter school.
- Remove any board member of the charter school at any time, with or without cause.
- Approve charter school directors.
- Dispose of all or substantially all of the charter school's assets.
- Approve or disapprove of the charter school's decision to merge or dissolve.
- Make changes to the charter school's articles of incorporation or bylaws.

This type of authority gives the sole statutory member complete control over the charter school. Sole statutory members by themselves may be able to exercise significant influence over the charter school and are often founders, family members, or other related parties who are not known to the charter authorizer and/or independent auditor.

Charter Schools Operated as or by a Nonprofit Public Benefit Corporation

A charter school may be operated as or by a tax-exempt nonprofit public benefit corporation organized under Internal Revenue Code Section 501(c)(3), with its charitable status further defined as a school under Internal Revenue Code Section 170(b)(1)(A)(ii). However, beginning July 1, 2019, a petitioner that submits a charter petition or a charter school that submits a charter renewal or material revision application shall not operate as, or be operated by, a for-profit corporation, a for-profit educational management organization, or a for-profit charter management organization.

Most but not all charter schools are operated as not-for-profit schools.

Education Code Section 47604(d) states that a charter authorizing entity that complies with its required oversight responsibilities is not liable for the debts or obligations of the charter school, or for claims arising from the performance of acts, errors, or omissions by a charter school that is operated as or by a nonprofit public benefit corporation. Because of this, many charter school authorizers require that a charter school be operated as or by a nonprofit public benefit corporation.

California Nonprofit Integrity Act

A charter school is considered an educational institution; however, it is also operated as or by a nonprofit corporation. Most nonprofit corporations in California must comply with Senate Bill (SB) 1262, also known as

the California Nonprofit Integrity Act of 2004 (religious organizations, cemeteries, hospitals, and educational institutions are exempt). If the nonprofit corporation has not identified itself as a school or educational institution or if a charter school uses a fundraising counsel or commercial fundraiser, SB 1262 applies.

A nonprofit's IRS Form 990, Schedule A, Part I, lists the reasons for its charitable status. If the reason selected is "A school described in section 170(b)(1)(A)(ii)" of the Internal Revenue Code, the nonprofit is most likely a school.

While most charter schools are not required to follow SB 1262, a few are. For those few charter schools that must follow SB 1262, see further requirements here: https://www.fcmat.org/publicationsreports/Chapter 2 _ CA Nonprofit Integrity Act Guidance 2021.docx.

Conflict of Interest

A conflict of interest exists when an individual has a personal financial interest in the outcome of a public decision and does either of the following:

1. Participates in decision-making related to that item.
2. Influences, or attempts to influence, others making a contract or decision related to that item.

Statutes that govern conflicts of interest include the Political Reform Act of 1974 (PRA), Government Code Section 1090, Government Code Sections 87100, 87302, 87306, 57500, Government Code Section 5233 for nonprofit organizations and Education Code Section 35107(e).

In Accordance with the revised Section 18700 (a) Basic Rule:

> A public official at any level of state or local government (e.g., charter school board member, charter school administrator) has a prohibited conflict of interest and may not make, participate in making, or in any way use or attempt to use his or her official position to influence a governmental decision when he or she knows or has reason to know he or she has a disqualifying financial interest. A public official has a disqualifying financial interest if the decision will have a reasonably foreseeable material financial effect, distinguishable from the effect on the public generally, directly on the official, or his or her immediate family, or on any financial interest described in subdivision (c)(6)(A-F) herein. (Sections 87100, 87101, & 87103.)

Government Code 1090 — Financial Interest of Public Officials, Officers and Employees

Government Code Section 1090 prohibits members of the Legislature, state, county, district, judicial district and city officers and employees from having a financial interest in any contract made by the enumerated entity. 'District' means any agency of the state formed pursuant to general law or special act for the local performance of governmental or proprietary functions within limited boundaries.

Section 1090 contains two prohibitions: one concerning contracts and one concerning purchases or sales. The first prohibits an officer or employee of the enumerated entities from being financially interested in a contract made by the officer or employee in his or her official capacity or by any body or board of which the officer or employee is a member. The second prohibits an officer or employee of the enumerated entities from making, in his or her official capacity, either a purchase from the entity or a sale to the entity.

As used in Section 1090, the term "financially interested" refers to any financial interest that might interfere with the officer or employee's unqualified devotion to his or her public duty; it "may be direct or indirect and includes any monetary or proprietary benefits, or gain of any sort, or the contingent possibility of monetary

or proprietary benefits." (See *People v. Watson* (1971) 15 Cal.App.3d 28, 37.) A public official has a financial interest in a contract made by him or her in that capacity when it is reasonably foreseeable that the contract may have a financial effect on any source of his or her income if he or she might profit from the contract. *(People v. Honig* (1996) 48 Cal.App.4th 289, 333; hereafter *Honig.)* It is not necessary to establish a direct dependency between the contract and any actual profit; if the contract benefits an entity from which income flows to the official, it is both speculative and irrelevant that as a result of the contract the income would or would not remain the same, because the statute is aimed at the mere *"possibility* of any personal influence." *(Id.* at pg. 344, emphasis in original.)

In addition, the fact that a contract is fair and untainted by fraud, or would be more advantageous to the entity than others might be, is irrelevant to the determination of the existence of an interest forbidden under Section 1090. *(Thomson v. Call* (1985) 38 Cal.3d 633, 649 (hereafter *Thomson); Stigall v. City of Taft* (1962) 58 Cal.2d 565, 569-570; *People v. Vallerga* (1977) 67 Cal.App.3d 847, 865.) "'Any direct or indirect financial interest in the subject matter is sufficient to taint the contract with illegality if the interest be such as to effect (sic) the judgment and conduct of the officer either in the making of the contract or in its performance.'" *(Marin County v. Messner* (1941) 44 Cal.App.2d 577, 590.) The California Supreme Court in *Thomson, supra,* at pages 649 and 650, stated as follows:

> "California courts have consistently held that the public officer cannot escape liability for a Section 1090 violation merely by abstaining from voting or participating in discussions or negotiations. ... Mere membership on the board or council establishes the presumption that the officer participated in the forbidden transaction or influenced other members of the council. ... Similarly, the full disclosure of an interest by an officer is also immaterial, as disclosure does not guarantee an absence of influence. To the contrary, it has been suggested that knowledge of a fellow officer's interest may lead other officers to favor an award which would benefit him." (Footnotes & citations omitted.)

A contract in which a public officer is interested is void, not merely voidable. *(Thomson, supra,* 38 Cal.3d at p. 646, fn. 15; see also Section 1092.) And if a transaction comes within the restrictions of Section 1090, the governmental body or board itself is not permitted to act on the matter, even if the interested member refrains from participating in the transaction. (*City of Imperial Beach v. Bailey* (1980) 103 Cal.App.3d 191, 195; *Fraser-Yamor Agency, Inc. v. County of Del Norte* (1977) 68 Cal.App.3d 201, 211-212.)

Injunctive relief may be provided if the contract has not yet been performed. *(Thomson, supra,* 38 Cal.3d at p. 646, fn. 17.) Furthermore, a willful violation of Section 1090 is punishable by a fine not to exceed $1,000, or by imprisonment in the state prison, and by disqualification from holding any office in this state. (Section 1097) A violation of Section 1090 may be prosecuted by either the local district attorney or the Attorney General. (See *Honig, supra,* 48 Cal.App.4th at pp. 353-356.)

Certain financial interests are excluded from the prohibition set forth in Section 1090. Section 1091 defines certain financial interests as "remote,'' and provides that an officer will not be deemed to be "interested" in any contract entered into by a board of which he or she is a member if the member has only a remote interest in that contract. For example, the interest of a parent in the earnings of his or her minor child for personal services is defined as a remote interest. (Section 1091, subd. (b)(4)) Section 1091.5 specifies certain interests that are not financial interests for the purposes of Section 1090, including, for example, the financial interest of a spouse of an officer or employee of an entity enumerated in that section if his or her spouse's employment or office holding has existed at least one year prior to his or her election. (Section 1091.5, subd. (a)(6)) Further exclusions from Section 1090 are made in Section 1091.1 for a financial interest in a contract relating to certain subdivided lands, and in Section 1091.2 for certain private industry councils. A member having a remote financial interest under Section 1091 must disclose that interest to the board and

abstain from voting on that contract. (Section 1091, subd. (a)) The board must note the remote interest in the official records and authorize, approve, or ratify the contract in good faith by a sufficient vote. (*Ibid.*)

Political Reform Act — Disclosure, Conflicts of Interest, and Enforcement

The stated intent of the Political Reform Act (PRA), Government Code Sections 81000 – 91015, was to establish a process for most state and local officials, and certain designated employees, to publicly disclose their personal income and assets as follows:

> . . . assets and income of public officials which may be materially affected by their official actions should be disclosed and in appropriate circumstances the officials should be disqualified from acting in order that conflicts of interest may be avoided. (Education Code Section 81002 (c))

The PRA's provisions are enforced by the Fair Political Practices Commission (FPPC) and require every state and local government agency to adopt a conflict of interest code. The FPPC (www.fppc.ca.gov) is the state agency responsible for interpreting the provisions of the law and issuing California Form 700 – Statement of Economic Interests.

Statement of Economic Interests – Form 700

Because charter school governing board members are considered public officials and governing boards are considered legislative bodies, board members and certain designated individuals must file Form 700 annually, when they take office or begin in a position, and upon leaving office. Usually, Form 700 must be filed by April 1 for the preceding calendar year, and within 30 days of assuming or leaving office or their position, unless an exception applies. In addition, the 2020-2021 Form 700 Reference Pamphlet states, "...certain consultants to public agencies may qualify as public officials because they make, participate in making, or act in a staff capacity for governmental decisions." The pamphlet also discusses who is a consultant and their level of disclosure. Consultants may be required to file Form 700, or the agency may file Form 805, Agency Report of Consultants.

When faced with potential conflicts of interest of a public official such as a school board member, administrator or consultant, it is important to consider the legal and ethical standards and review any applicable board policies that may be even more restrictive than the statutory mandates.

The FPPC website at http://www.fppc.ca.gov/Form700.html states:

> Every elected official and public employee who makes or influences governmental decisions is required to submit a Statement of Economic Interest, also known as the Form 700. The Form 700 provides transparency and ensures accountability in two ways:
>
> 1. It provides necessary information to the public about an official's personal financial interests to ensure that officials are making decisions in the best interest of the public and not enhancing their personal finances.
> 2. It serves as a reminder to the public official of potential conflicts of interest so the official can abstain from making or participating in governmental decisions that are deemed conflicts of interest.

Openness is important to disclosure and avoiding conflicts of interest. Updates to Form 700, Statement of Economic Interests, are available at http://www.fppc.ca.gov/Form700.html. The FPPC describes disclosures for leaving office as follows:

> Generally, the period covered is January 1 of the current calendar year through the date you stopped performing the duties of your position. If the period covered differs from January 1 of

> the current calendar year through the date you stopped performing the duties of your position (for example, you assumed office between October 1 and December 31, or you are combining statements), the period covered must be specified. The reporting period can cover parts of two calendar years.

Investments, interests in real property, business positions held, and income (including loans, gifts, and travel payments) received during the period covered by the statement must be reported. Do not change the preprinted dates on Schedules A-1, A-2, and B unless you are required to report the acquisition or disposition of an interest that did not occur during the period.

As described above, business positions are required to be disclosed regardless of percentage of ownership.

The reference pamphlet describes a business entity and a conflict of interest as follows:

> **Business Entity:** Any organization or enterprise operated for profit, including a proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation, or association. This would include a business for which you take business deductions for tax purposes (for example, a small business operated in your home).
>
> **Conflict of Interest:** A public official or employee has a conflict of interest under the Act when all the following occur:
>
> - The official makes, participates in making, or uses his or her official position to influence a governmental decision.
> - It is reasonably foreseeable that the decision will affect the official's economic interest.
> - The effect of the decision on the official's economic interest will be material; and
> - The effect of the decision on the official's economic interest will be different than its effect on the public generally.

Self-Dealing by Nonprofit Board Members

In a January 20, 2015 opinion to a member of the state Legislature, the California Legislative Counsel said:

> Corporations Code Section 5233 sets forth conflict-of-interest prohibitions specifically applicable to the directors of a nonprofit public benefit corporation, which raises the question of whether those conflict-of-interest prohibitions, and not the prohibitions of Section 87100, should apply to the directors of a nonprofit public benefit corporation who thereby operate as members of the governing body of a charter school. Education Code Section 47604 authorizes a charter school to operate as, or be operated by, a nonprofit public benefit corporation. Nonprofit public benefit corporations are governed by the Nonprofit Public Benefit Corporation Law, in addition to the provisions in the Corporations Code applicable to all corporations or all nonprofit corporations. (Corp. Code, Section 5003.) Nonprofit public benefit corporations may be formed for any public or charitable purpose. (Corp. Code, Section 5111.)
>
> Each nonprofit public benefit corporation is required to have a board of directors that conducts the activities and affairs of the corporation and exercises all of the corporation's corporate powers. (Corp Code, Section 5210) Not more than 49 percent of the persons serving on the board of any corporation may be "interested persons," defined as persons being compensated by the corporation for services rendered (excluding reasonable compensation paid to a director as director) and persons who are relatives or spouses of compensated persons. (Corp. Code, Section 5227)

Among the provisions governing directors of nonprofit public benefit corporations is Corporations Code Section 5231, which requires a director to perform his or her duties in good faith and sets forth the standard of care applicable to the performance of those duties. Corporations Code Section 5231 provides, in pertinent part, as follows:

> "5231. (a) *A director shall perform the duties of a director*, including duties as a member of any committee of the board upon which the director may serve, *in good faith*, in a manner such director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances."
> (Emphasis added.)

Regarding the requirement that directors of a nonprofit public benefit corporation perform their duties in good faith, Corporations Code Section 5233 contains provisions that pertain specifically to "self-dealing transactions." Corporations Code Section 5233 describes those transactions as ones of which the nonprofit public benefit corporation is a part and in which one or more of its directors may have a material financial interest that does not meet certain requirements. Moreover, if a director of a nonprofit public benefit corporation violates Corporations Code Section 5233, a court has discretion to order that director to perform those acts and to pay those damages that will provide an "equitable and fair remedy to the corporation," including, but not limited to, paying the corporation the amount of profits realized from the transaction, the value of use made in the transaction of corporate property, and returning or replacing any lost corporate property. (Id., subd. (h)) Thus, the members of the board of directors of a nonprofit public benefit corporation operating a charter school are prohibited from engaging in a self-dealing transaction and are subject to judicial sanctions if they engage in such transactions.

The Legislative Counsel concluded that the provisions of Corporations Code Section 5233 apply concurrently with the provisions of the Political Reform Act where nonprofit corporate directors operate charter schools.

In addition to Corporations Code Section 5233, nonprofit boards should be aware of requirements in Part VI of IRS Form 990 (the tax return form for organizations exempt from income tax). Part VI is titled, Governance, Management and Disclosure. The IRS states in its instructions for that form:

> Even though the information on policies and procedures requested in Section B generally isn't required under the Internal Revenue Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures can lead to opportunities for excess benefit transactions, inurement, operation for nonexempt purposes, or other activities inconsistent with exempt status.

The Brown Act, California Public Records Act, conflict of interest provisions of the Political Reform Act of 1974, and Government Code Section 1090 all apply to a member of a charter school's governing body and are concurrent with the conflict of interest provisions of the Corporations Code that apply if the charter board member is also a director of the nonprofit corporation.

Sample Charter School Conflict of Interest Policy

The following link is to a sample charter school conflict of interest policy that adopts the Political Reform Act of 1974 and California Government Code Sections 81000 - 91015. This sample also identifies those who must report conflicts of interest using Form 700, Statement of Economic Interests, including consultants. To download a Microsoft Word version of the policy, click here.

Nepotism

Nepotism is not illegal in California; however, it can be considered favoritism, is often viewed as unfair, and may suggest more questionable behaviors such as cronyism. In the early stages of a charter school it is often difficult to find people willing to help, so help from friends and family members is not uncommon. FCMAT believes all charter schools should develop a policy allowing or disallowing nepotism. Family members can be hired and may even be supervised by one of their family members, as long as there is a policy allowing it and as long as the related family member abstains from serving on the interview panel and from any vote to approve a family member's employment. Conflicts of interest may arise from influencing and being a party to business interests, contracts, loans, and other economic interests.

The Political Reform Act and Government Code Sections 1090 and 87100 do not prohibit the hiring of family members in a charter school.

Charter schools are not prohibited from creating their own policy regarding nepotism; and the authorizing LEA may require, as a condition of approving the charter petition or renewal, that the charter school not hire family members or allow family members to work in the charter school.

Gift of Public Funds

Article 16, Section 6 of the California Constitution specifies that the state Legislature cannot authorize any county, city or other political subdivision to make any gift of public funds to an individual or corporation. Article 16 states:

> In the absence of a statute granting public local educational agencies (LEAs) the legal authority to make a special expenditure (i.e., for food, clothing, awards, etc.), the legality of any expenditure is determined by the 'gift of public funds' provision in the California Constitution, Article 16, Section 6. This constitutional provision prohibits making any gift of public money to any individual (including public employees), corporation, or other government agency. It states, '... the Legislature shall have no ... power to make any gift, or authorize the making of any gift, of any public money or thing of value to any individual ... whatever ...

In general, the constitutional prohibition against a gift of public funds is not an issue when the direct and primary public purpose results in the public receiving a benefit from the expenditure. However, if the gift is to an employee or other individual and does not benefit the public, it can be considered a gift of public funds.

On the other hand, it is also well established that expenditures of public funds that involve a benefit to private persons (including public employees) are not gifts within the meaning of the California Constitution if those funds are expended for a public purpose. This means that public funds may be expended only if a direct and substantial public purpose is served by the expenditure and private individuals are benefited only incidentally from the promotion of the public purpose. To justify the expenditure of public funds, a charter school's governing board must determine that the expenditure will benefit the education of students in its schools. Expenditures that most directly and tangibly benefit students' education are more likely justified. Expenditures driven by personal motives are not justified even if they have been a longstanding local custom or are based on benevolent feelings.

If the charter school's governing board has determined that a particular type of expenditure serves a public purpose, the courts will almost always defer to that determination. Thus, if the charter school has a board policy stating that specific items are allowable (e.g., scholarships), it is more probable that the expenditure will be considered allowable.

The constitutional prohibition of gifts of public funds is designed to obstruct the misuse of public money. Gift of public funds violations occur under many circumstances; following are two of the most common:

- *A noble or virtuous purpose* that may be considered a gift of public funds might be for the purchase of flowers from charter school funds for the funeral of a student or family member of a governing board member.
- *A moral or justifiable obligation* is the most common form of gift of public funds, resulting from a desire to convey some form of gratitude. Often, staff members who are not formally trained in charter school and governmental policies and procedures unknowingly participate in giving gifts of public funds because of a moral or justifiable obligation. For example, a coach at a charter school may be grateful to individuals who have helped with the sports program, or to individuals who are highly involved, or who are well-known contributors or longtime friends of the program, or individuals who may not be able to afford to attend an event. The coach may offer these individuals gifts such as free event tickets or give them unsold tickets or items.

Without a charter school board policy specifically approving the expenditure of charter school funds for noble, virtuous, or moral purposes such as those described above, these gifts may be considered gifts of public funds.

Political Contributions and Involvement

Contributing to political campaigns or making political donations may jeopardize the charter school's nonprofit status. A charter school should not take any position regarding any political candidate. Charter school officials should not make political endorsements in their official capacity, and expenditure of charter funds for any political purpose is prohibited. However, charter school officials are not prohibited from making endorsements privately.

Endorsements of Candidates

Neither the charter school's management nor its representatives should endorse any candidate for public office in any manner.

Prohibited Contributions, Expenditures, and Uses of Assets and Resources

Examples of prohibited political contributions, lobbying, and expenditures that support or oppose candidates for public office include, but are not limited to, the following:

- Contributions to political parties or political action committees.
- Contributions to the campaigns of individual candidates for public office.
- Expenditures to print or assist in printing any political materials.
- Expenditures for political advertisements.
- The use of any charter school assets or resources for any political activities. This includes such use by management, employees, governing board members, or other representatives.

Charter school managers, employees, governing board members or other representatives may engage in political activities on their own time, using their personal assets and resources; however, they may not act or appear to be acting on behalf of the charter school and may not use any charter school resources to assist in political activities.

A charter school must comply with all federal and state laws and regulations regarding political contributions, lobbying and expenditures. No federal funds, or assets obtained from federal funds, may be used for any political purposes.

Charter School-Related Organizations

Individual charter schools or nonprofits that operate multiple charter schools often have other related support organizations that contribute resources to the charter schools. Charter school-related organizations typically are nonprofit organizations such as foundations or charter management organizations (CMOs), or for-profit entities known as education management organizations (EMOs). Charter school-related organizations may or may not operate under their own federal identification numbers, are typically separate business entities, yet are often under common control because they share board members and management with the charter.

Charter management organizations, foundations, and EMOs (collectively called charter school-related organizations, or CSROs) that have an economic interest in and control of a charter school may be consolidated with the charter school for financial reporting purposes. Before it considers forming a CSRO, a charter school should consult with its legal counsel, its independent auditor, and its authorizer to determine if the relationship between the entities may require or give it the option to issue consolidated financial statements.

As supporting organizations, CSROs do not typically educate students or receive state student attendance-based funding. Because of this, under no circumstances should charter schools loan or transfer funds to these organizations or any similar entity.

CSROs often act as pass-through entities and own facilities or enter into facilities leases on behalf of charter schools, then rent the facilities to the charter schools they support and fundraise for the charter schools. Any time a charter school is supported by a related organization, the two entities and their governing boards should sign clear, written contractual agreements.

All CSROs should be fully described in detail and disclosed in a charter school's annual independently audited financial statements.

CSRO Management Fees

A CSRO may charge a charter school fees for the legitimate, contractually agreed upon services it provides to the charter school. The CSRO and the charter school should have a contract or MOU that clearly describes the services for which a CSRO charges, the arrangement for how the CSRO will be paid, provisions for termination of services and other standard contract clauses such as indemnification and severability.

If the CSRO's fees will be based on a percentage of the charter school's revenue, the CSRO should include in its proposal documents submitted to the charter school governing board a detailed analysis of which categories of charter school revenue will be included when calculating the fee structure percentage and how that percentage and the services provided compare to other charter school fee structures.

The CSRO should invoice the charter school based on the terms of the contract and ensure that each invoice identifies which services or deliverables are completed, the percentage of work in progress, and the percentage of services or deliverables remaining.

It is important to distinguish oversight fees from other management fees mentioned here. See Chapter 3 in this manual for more information.

Intraorganizational Loans and Transactions

Loans to and from Charter School Related Organizations and Charter Schools

A charter school should never loan or transfer any funds to a CSRO; however, CSROs may loan or transfer funds to charter schools.

A charter school should have a policy that prohibits it from loaning or transferring funds to related or unrelated support organizations. The policy should state:

> The charter school is prohibited from loaning or transferring any funds from the charter school to any related or unrelated support organization such as charter school-related organizations.

Intraorganizational Receivables and Payables or Loans

Charter schools depend heavily on government funding. Charter school networks operating under the same federal identification number may experience funding shortfalls, government revenue reductions, or funding deferrals that may cause cash shortages. When a nonprofit operates multiple charter schools under a single federal identification number, intraorganizational loans may be permissible.

An intraorganizational loan policy authorizes the use of intraorganizational receivables and payables, or loans, so that resources can be allocated from within the organization's charter school network and central office to ensure uninterrupted educational services and to safeguard against funding shortfalls.

Intraorganizational Transactions

The CFO or CFO's designee should monitor cash balances daily for the charter schools. When there may be a need for funds at a school or the central office, the CFO should assess the funds available for all charter schools as well as the central office. If a school or central office does not have sufficient funds, the CFO may, with board approval, temporarily transfer funds from a charter school that has surplus funds to another charter school and/or the central office.

As long as funds are not blended (i.e., as long as their identity, origin and source remain known and identifiable), loans between charter schools and school sites, interfund, interschool, interdepartmental, or intraorganizational loans, or due-to/from receivable/payable transactions are allowable.

The CFO should review all intraorganizational receivables and payables and ensure that all such transactions' balances and the origin, source and use of the funds are clear and open, auditable, and accountable.

At the end of the fiscal year, each school's receivable or payable loan account (also known as due to/due from account) should be reconciled. Once balances are reconciled, any charter school or central office intraorganizational receivable or payable balance that is not fully repaid as of the close of the fiscal year may result in and be subject to an intraorganizational loan agreement. Intraorganizational loan agreements between each school and the central office are prepared at the end of the fiscal year to formally document the amount owed between the intracompany accounts and the repayment terms.

Intraorganizational receivables and payables terms include the following:

- All intraorganizational receivables and payables that may be settled or result in a zero balance as of the end of the fiscal year are not subject to any repayment terms or interest accruals.
- Any intraorganizational receivables and payables that are not settled to a zero balance as of the end of the fiscal year should be converted to intraorganizational loan agreements, with terms that include a reasonable interest rate, monthly or quarterly payments, and a specific duration. The final settlement

terms should be determined no later than two months after the close of the fiscal year and are subject to approval by the governing board at its next meeting but before the fiscal year-end independent audit report is completed.

A sample intraorganizational loan agreement may be downloaded in Microsoft Word format by clicking here: https://www.fcmat.org/publicationsreports/Chapter 2 _ Intraorganizational Loan Agreement 2021.docx

Chapter 3 – Oversight and Authorizers

Authorizer Responsibilities

The charter school authorizer is responsible for oversight of the charter school's academic and fiscal activities. This is essential to ensure a charter school's fiscal health and the ability for the authorizer to intervene when necessary. An authorizer can be liable for the debts of a charter school if it fails to provide the oversight required by law, including but not limited to those required by Education Code Section 47604.32 and Section 47605 (m). A report by the California Research Bureau in January 2012 showed that 68% of charter school closures between 1992 and 2009 were a direct result of financial failure or mismanagement.

Education Code Section 47604.32 states the responsibilities of a charter school authorizing agency, including the following:

- Identify at least one staff member as a contact person for the charter school.
- Visit each charter school at least annually.
- Ensure that charter schools under its authority comply with all reports required of charter schools by law, and all other mandatory reporting requirements.
- Monitor the fiscal condition of charter schools.
- Provide timely notification to the CDE when a charter renewal is granted, denied, or revoked, and when a charter school ceases operation for any reason.

Fiscal oversight of charter schools is primarily the responsibility of the authorizing entity. The authorizing agency is responsible for adequate and appropriate oversight, including determining if a charter school is following prudent business practices and generally accepted accounting principles for revenues and expenditures and preparing financial reports. A charter school may have its charter revoked by its authorizing agency for material violations including gross financial mismanagement that jeopardizes the financial stability of the charter; illegal or substantially improper use of charter school funds for the personal benefit of any officer, director or fiduciary of the charter school; substantial and sustained departure from measurably successful academic practices that would deny the educational development of the school's pupils; failure to improve pupil outcomes across multiple state and school priorities identified in the charter; or any violation of any provision of the law (EC Section 47604.5).

The law does not specify how the authorizing LEA is to conduct oversight; rather, those details should be established and agreed to by the LEA and the charter school in a clearly written MOU. FCMAT has developed an oversight checklist for charter schools and their authorizing agencies, which is available at https://www.fcmat.org/charter-and-authorizer. The checklist can help oversight agencies focus on important areas and help charter schools be aware of what districts, county offices of education and the state board of education may examine when exercising their responsibility as charter authorizing agencies. Charter school operators can use the checklist not only to prepare for review by oversight agencies but also to improve their own policies and procedures. Another tool that FCMAT has developed, the Fiscal Health Risk Analysis (FHRA), helps evaluate a charter school's fiscal health and risk of insolvency in the current and two subsequent fiscal years. That free, downloadable tool can be found at https://www.fcmat.org/fiscal-health.

Fees for Facilities, Oversight, and Other Services

Proposition 39, Facilities (EC Section 47614)

Proposition 39 changed California Education Code with the intent that public school facilities be shared fairly for the benefit of all pupils, including those in charter schools. Charter schools that use school district facilities as a result of Proposition 39 should have facility use agreements with the district. Education Code Section 47614(b)(1) states that school districts may charge a charter school a pro-rata share of the facilities costs that the school district pays for with unrestricted general fund revenues. The pro-rata share is based on the ratio of space allocated by the school district to the charter school divided by the total space of the district, with no other charges for use of the facilities. The use of authorizer facilities guides the calculation of fees that can be charged for oversight.

If the school district charges the charter school a pro-rata share of its facilities costs for the use of the facilities, the facilities are not substantially rent free within the meaning of Education Code Section 47613. In this case, the district may only charge for the actual costs of supervisorial oversight of the charter school not to exceed one percent of the school's revenue. (5 CCR Section 11969.7)

A charter authorizing entity may charge a charter school fees for the costs of performing oversight, as described in Education Code Section 47604.32. Education Code Section 47613 states that the charter authorizer may charge the charter school for the actual costs of supervisorial oversight, not to exceed the following limits:

One Percent Oversight Fee

Charter school authorizers are permitted to charge for the actual costs of oversight, not to exceed 1% of the charter school's revenue, when the authorizer does not provide the charter school with substantially rent-free facilities.

Three Percent Oversight Fee

Charter school authorizers are permitted to charge for the actual costs of oversight, not to exceed 3% of the charter school's revenue, when the authorizer provides the charter school with substantially rent-free facilities. The 3% oversight fee is composed of 1% for oversight and 2% for use of the school facilities. An example of a substantially rent-free facility is when a school district allows a charter school to use a school building that the district is either not using or only partially using.

Calculating Oversight Fees

For purposes of calculating the oversight fee, revenue of the charter school means the amount received in the current fiscal year from the LCFF, pursuant to Education Code Section 42238.02 and as implemented by Education Code Section 42238.03. The revenue on which the oversight fees is based can also be described as the charter school's general-purpose entitlement (although charter schools are funded via the LCFF, the Education Code still refers to general-purpose entitlement, not LCFF). Federal revenues, other state revenues, one-time state allocations, and local revenue sources such as donations are not included when calculating the oversight fee.

Additional Services

Charter school authorizers may enter into separate agreements for services not mandated by the Education Code using a fee-for-service arrangement. Examples include food services, special education, fiscal

services, assistance with policy development, legal services, human resources, technology, student testing, and others not specifically identified in Education Code Section 47613. When purchasing services, the charter school and the authorizer should have a detailed MOU or contract for the services.

Chapter 4 – Budgeting

Budgeting plays an important role in the planning, control, and evaluation of a charter school's operations. The budget document itself reflects the set of decisions that have been made by the charter school's governing board and administrators, with the public's input, to match the school's resources to its operational needs, translating educational goals and programs into a financial plan. Since charter schools are primarily state-funded organizations, the budget development and monitoring process serves as the primary means to demonstrate to the community the school's stewardship of public resources.

Budget Development and Adoption

Budget development is a detailed process addressing all operational areas of a charter school – admissions lottery and wait list, enrollment and attendance projections, unduplicated pupil counts, revenue calculations, expenditure estimates, position control and staffing level analyses, multiyear financial projections, cash flow projections, and LCAP development.

Charter schools should create a budget development calendar that includes a detailed timeline specifying important tasks, milestones, responsible parties, and due dates to allow sufficient time to develop and adopt a budget prior to the statutory July 1 deadline. Most often, chartering authorities will establish a deadline prior to July 1 to ensure sufficient time to review and evaluate the budget and LCAP prior to submitting to the county superintendent of schools (in the case of school district chartering authorities). Many entities start budget development at least six months before the start of the fiscal year.

Under the leadership of the CFO, budgets should be developed for each school in partnership with principals and their teams, and for each department in partnership with managers and their staff. All department and school site budgets should be combined into an organizational budget. The budget may go through several drafts, and the process may include the evaluation of budget proposals from individual departments and school sites. Budget study sessions are often implemented with the governing board and other stakeholders to provide for discussion and transparency surrounding the assumptions used for development, address questions and establish budget priorities, and make modifications before formal budget adoption.

Each budget line-item should be accompanied by a detailed narrative of how each amount was determined. These explanations should include calculations, assumptions, and other metrics that demonstrate how the budgeted amounts were calculated.

After the budget is consolidated and balanced, the charter school executive director or designee should review the documents in detail before presenting to the governing board for final approval and subsequent submission to the chartering authority.

Local Control and Accountability Plan (LCAP)

The LCAP is intended to serve as a comprehensive planning tool to support student outcomes and is an important component of the state's local control funding formula (LCFF). Under the LCFF, all LEAs, including charter schools, must adopt an LCAP, which describes how they intend to meet annual goals for all pupils, with specific activities to address state and local priorities. All LEAs must use the LCAP template adopted by the State Board of Education available on the CDE's LCAP webpage at https://www.cde.ca.gov/re/lc.

The LCAP is a three-year plan that describes goals, actions, services, and expenditures to support positive student outcomes that address state and local priorities . The LCAP provides an opportunity for local LEAs to describe their stories surrounding the educational programs and services they have designed to

meet their local needs . The components of the LCAP for 2022-23 included the following: LCFF Budget Overview for Parents; Supplement to the Annual Update to the 2021-22 LCAP; Plan Summary; Engaging Educational Partners; Goals and Actions; Increased or Improved Services for Foster Youth, English Learners, and Low-income Students; Action Tables; and Instructions. Statute requires charter schools to consult with teachers, principals, administrators, other school personnel, parents, and pupils in developing the LCAP and its annual update (EC Section 47606.5(d)).

The LCAP must be submitted to the chartering authority and the county superintendent of schools (or only the county superintendent of schools if the county board of education is the chartering authority) by July 1 of each year pursuant to Education Code Section 47604.33. Charter schools must hold a public hearing to solicit recommendations and comments on the LCAP, followed by a subsequent public meeting for the plan's adoption. As with other statutory reporting requirements, the chartering authority's responsibility is not to approve the LCAP, but to ensure that the charter school has complied with all LCAP reporting requirements, including providing for an adopted budget that includes the expenditures necessary to implement the school's LCAP.

Increased or Improved Services Requirement

The LCFF supplemental and concentration grants provide LEAs with additional funding to support students who are identified as low income, English learners, or foster youth (unduplicated student groups). This use of supplemental and concentration grant funds must meet the requirement to increase and/or improve services for the LEA's unduplicated student groups compared to all students, proportionate to the increase in funding generated by the unduplicated student groups. The LCAP includes a section for the LEA to describe and demonstrate how LEA-wide or schoolwide actions identified for this purpose meet regulatory requirements (see also Title 5, Section 15496 of the California Code of Regulations for the calculation and requirements to demonstrate increased or improved services for unduplicated pupils in proportion to the increase in fund apportioned for supplemental and concentration grants).

Beginning with the 2022-23 LCAP, LEAs are further required to identify any carryover of this requirement from the prior year, expressed as a dollar amount and a percentage by which services must be increased or improved, and add it to the current year requirement for the total percentage to increase or improve services.

Concentration Grant Add-On

In 2021-22, the state Budget Act increased the concentration grant factor from 50% to 65%. The additional 15% concentration grant add-on is to be used to hire additional staff at schools in which more than 55% of students are low income, English learners, and/or foster youth. The LCAP template was revised to require an LEA that receives the increased concentration grant add-on to clearly demonstrate how it is using the additional funding to increase the number of staff who provide direct services to students at its schools in which more than 55% of students are low income, English learners, and/or foster youth, compared to campuses with 55% or less unduplicated student enrollment. The LCAP template was also amended to include tables to show staff-to-student ratios for staff who provide direct services to students, by type of school and concentration of unduplicated students.

LCAP Review and Approval

Accountability for a charter LCAP rests with the school's governing board, leadership team, and local educational partners (educational partners include all the groups an LEA is required to or would normally engage with in developing the LCAP). The county superintendent of schools, as the intermediate agent between the state and LEAs, provides additional accountability by overseeing the LCAP process in each county. The county superintendent of schools is the foundation of the statewide system of support and is responsible for

a combination of fiscal and academic assistance that includes progressive support and assistance for LEAs when needed.

There is no requirement for approval of a charter school's LCAP other than by the school's governing board. Charter school authorizers, in their fiscal oversight responsibilities, should review a charter school's LCAP to ensure the following: 1) adherence to the State Board of Education (SBE) Template, 2) sufficient expenditures in the budget to implement the LCAP, 3) adherence to SBE expenditure regulations, and 4) calculation and implementation of carryover for the increased or improved services requirement. These elements are described in detail in the California County Superintendents (CCS) Local Control and Accountability (LCAP) Approval Manual, which provides a guide for county offices of education to use in their LCAP oversight and approval process. .

Charter schools must develop a separate LCAP for each school that has a separate petition. The LCAP must be prominently posted on the charter school's website.

LCFF Budget Overview for Parents

Education Code Section 52064.1 requires all LEAs to develop the LCFF Budget Overview for Parents (Parent Overview) in conjunction with the LCAP by July 1 of each year. Statute requires the State Superintendent to develop a template and instructions for the Parent Overview, using language that is understandable and accessible to parents. The Parent Overview includes basic information regarding a charter school's budgeted revenues and expenditures for the current and coming school years, including an update on increased or improved services provided for high needs students.

The LCFF Budget Overview for Parents must be prominently posted on the charter school's website.

Budget Development Calendar

Critical to a successful budget development is the dissemination of a detailed budget calendar to all responsible parties, allowing for staff members to be aware of applicable deadlines. The budget calendar should reflect the full budget cycle, including statutory and authorizer due dates, major budget development milestones, and staff-specific actions and responsibilities. The budget calendar should also include all steps necessary for the school's LCAP development and annual update. As noted above, best practice is to start budget development approximately six months prior to the start of the fiscal year.

A sample budget development calendar can be downloaded here: https://www.fcmat.org/publicationsreports/Chapter 4 _ Sample Budget Development Calendar 2021.docx

State Budget Process

Since charter schools are publicly funded and often rely primarily on state resources to support their operations, charter school governing boards and administrators must become familiar with the state budget process. The release of both the Governor's Budget and May Revision proposal are key milestones within the charter school's budget development process, as both proposals serve to establish key assumptions necessary to develop revenue and expenditure projections for the budget and subsequent fiscal years.

The state's budget development process generally starts in January with the release of the Governor's proposed budget for the next fiscal year, which begins on July 1 (commonly referred to as the Governor's Budget). In the months following the Governor's Budget release, the Legislature holds budget committee hearings to share budget priorities and discuss areas of concern in the administration's proposal. By May 14, the Governor is required to revise the January budget proposal to accommodate for caseload and other changes (commonly referred to as the May Revision). The Legislature reviews the May Revision, again

through a process of public hearings, and crafts its own spending plan by maintaining, modifying, and/or rejecting the Governor's proposals. The Legislature must pass a budget bill by June 15. The Governor can then sign or veto the Legislature's budget bill, as well as reduce or eliminate individual appropriations using the line-item veto.

The California Budget & Policy Center has available on its website a helpful infographic of the year-round budget cycle, illustrating key steps in the process at https://calbudgetcenter.org/wp-content/uploads/Navigating-the-State-Budget-Process-12.2015.pdf.

Monitoring Performance

A charter school should implement budget monitoring controls, such as periodic budget reports, and budget account transfers and revisions to effectively manage and measure its financial performance. Best practice is for the CFO to monitor the budget monthly by reviewing reports that compare actual year-to-date revenue and expenditures with budgeted amounts. These reports should also be shared periodically with the governing board.

The charter school should ensure that appropriate expenditures are charged against programs within the spending limitations authorized by the governing board and program rules. In addition, the CFO should institute an ongoing monitoring plan to ensure that fiscal operations meet all federal and state requirements and safeguard all funds and assets.

Position Control

Position control refers to a system of tracking information based on positions, expressed as full-time equivalents (FTE), rather than employees. Although position control is a budgeting tool, it can also be used to ensure that only authorized positions are filled and only appropriate personnel receive a payroll check. This is part of a system of strong internal controls. Tracking position control can be done either by a sophisticated integrated financial/HR system or a simple spreadsheet. In most LEAs, personnel is 80%-90% of the budget. Personnel and expenses related to personnel (health benefits, retirements, payroll taxes, etc.) consume most of the budget. It is imperative that LEAs track personnel accurately. Failure to do so could result in severe financial difficulty for the LEA. Position control is a part of the development of budgets, as LEAs include their allocated positions and associated costs. However, the most important aspect of position control is the development and maintaining of the actual system. Stakeholders from human resources, business, finance, payroll and benefits will need to be represented during this process.

An effective position control system establishes checks and balances among personnel decisions, budgeted appropriations, and employee paychecks. It is not best practice to place the position control function entirely in the business department, but it is best practice to ensure that all personnel transactions related to a position are processed first through the business department. This helps ensure both the availability of a position and the adequacy of funding. An effective position control system will:

1. Have unique position control numbers for each position
2. Contain only board-authorized positions
3. Contain only valid, funded positions
4. Provide timely and accurate information
5. Be used as a forecasting tool
6. Be reconciled with the payroll, accounting, budget, and HR systems or modules

7. Allow salary payments only to authorized positions

Budget versus Actuals Report

A budget versus actuals report provides a comparison of planned revenues and expenditures to the actual income and expenses recorded for a specified period. This report should be produced and analyzed monthly. Charter schools should consider providing this report to the governing board along with the monthly financial statements (i.e., balance sheet, income statement, and cash flow).

The budget versus actuals report should include the current period's budget, and actual and variance totals by object account code. By comparing and analyzing actual revenue and expenditures with budgeted amounts throughout the fiscal year, the charter school can easily identify any budget changes that may be needed to align its projections with the most current assumptions.

Budget Changes

Since a budget is a point-in-time projection based on assumptions available at the time of development, charter schools will need to periodically make budget changes. At a minimum, budget revisions should be made during the interim financial reporting process, and as necessary, at other times throughout the fiscal year. Specifically, the first and second interim reports due to the charter authorizer in December and March respectively should reflect revised projected revenue and expenditure totals. In addition, depending on the timing of the state's adoption of the annual budget act, and the changes with the start of the school year, charter schools should consider preparing a revised budget for governing board approval in the fall (i.e., in September or October) to reflect adjustments relating to state funding, enrollment, and other needs.

Multiyear Financial Projections (MYP)

A best practice for charter schools is to prepare and update an MYP when preparing budgets, interim reports, and year-end financial reports. At a minimum, a charter school MYP should project revenues and expenditures into the two subsequent fiscal years, but schools may find it beneficial to extend the MYP through the term of the charter petition (or up to five years). These projections help assess revenue trends, expenditure commitments, financial risks and the affordability of additional services and capital investments.

FCMAT has developed a free software tool known as Projection-Pro, which can be used by charter schools, to build a foundational multiyear and cash flow projection based on best practices and statewide assumptions. LEAs can then customize the projection with local information to produce a complete projection. Projection-Pro has the following features:

- The ability to work by resource or major object category
- An automated indirect calculation
- Enhanced contribution and balancing functionality
- Other commitment and assignment expenditure alignment
- An optional charter school alternative reporting format.

Projection-Pro is available on FCMAT's website at https://www.fcmat.org/projection-pro.

Charter School Funding

Direct versus Local Funding

The state funds charter schools either directly or locally through the charter authorizing agency (EC Section 47651).

If a charter elects to receive funding directly, it is considered direct-funded. Warrants are drawn in favor of the county superintendent of schools in which the authorizing LEA is located and deposited directly into the charter school's accounts.

Locally funded charter schools have their funds deposited in the accounts of the charter authorizer.

For a charter that was granted by the state board, but the state board has not yet delegated oversight responsibilities, warrants are drawn in favor of the county superintendent of schools where the LEA that initially denied the charter is located and deposited directly into the charter school's accounts.

Any charter electing to receive its funding directly must notify the county superintendent of schools in which the authorizing LEA is located, on or before June 1 of each year.

Nonclassroom-Based Funding Determination

For nonclassroom-based charter schools to receive apportionment for nonclassroom-based instruction, the SBE must make a determination of funding. This is commonly referred to as an SB 740 funding determination based on its enacting legislation (Senate Bill 740). A charter school that offers more than 20% of its instruction outside of a classroom setting, or a charter school that serves fewer than 80% of its students in a nonclassroom setting, is classified as a nonclassroom-based charter school in accordance with Education Code Section 47612.5. All nonclassroom-based charters must file an SB 740 Funding Determination Form to receive state and federal funding. Schools must file annually unless they receive multiyear determinations (up to five years).

In general, unless otherwise exempt, these three criteria must be met for nonclassroom-based charters to be guaranteed full funding levels: (1) at least 80% of total revenues must be spent on instruction or classroom support, (2) at least 50% of public revenues must be spent on certificated staff salaries and benefits, and (3) the pupil-teacher ratio must be equal to or lower than the pupil-teacher ratio in the largest unified school district in the county or counties in which the school operates or the school must maintain a minimum of 25:1 ratio. A school that fails to meet these requirements may receive substantial cuts in its funding level. If the determination is not received by the charter school, it will lose some or all state funding for its nonclassroom-based ADA. For detailed information forms and instructions, see https://www.cde.ca.gov/sp/ch/nclrbifunddet.asp (EC 47612.5 and 47634.2; 5 CCR 11963.4).

Apportionment

For most charter schools, the largest source of revenue is from the state's Local Control Funding Formula (LCFF), which is based on a per-pupil revenue according to its enrollment by way of average daily attendance (ADA). These unrestricted funds are received through a process known as the principal apportionment. The principal apportionment is a series of apportionment calculations that adjust the flow of state funds throughout the fiscal year as information is known and updated. New and expanding charter schools may also receive funding through the Charter School Special Advance Principal Apportionment.

As stated above, the principal apportionment is adjusted throughout the fiscal year. Existing charter schools are required to report data using the required state Principal Apportionment Data Collection software.

Funding apportionments to existing charter schools are calculated three times each year as outlined in the table below. These apportionments are simply a means of allocating funds to charter schools, the estimates should not be used by charter schools for budgeting.

Apportionment	Month of Certification	Payment Period
Advance Apportionment	July	July – January
First Principal (P-1) Apportionment	February	February – May
Second Principal (P-2) Apportionment	June	June

To begin the flow of state funding for a new and/or expanding charter school, CDE has created the charter school special advance. This alternative apportionment has an alternative data collection system, apportionment process and payment schedule. The table below shows how the state apportionment allocation provides new and expanding charter schools with LCFF state aid from July through January.

Apportionment	Month of Certification	Payment Period
First Charter School Special Advance	September	July – November
Second Charter School Special Advance	December	December – January

Per EC Section 47652, new charter schools are eligible for the special advance LCFF funding provided that classroom instruction begins prior to September 30, and the charter has a State Board of Education number and a County-District-School (CDS) code. To initiate receipt of this funding a new and/or expanding charter school must submit a Pupil Estimates for New or Significantly Expanding Charters (PENSEC) report and a Charter 20 Day report.

Pupil Estimates for New or Significantly Expanding Charters (PENSEC)

Pursuant to EC Section 47652, when a charter school starts and when it adds grade levels, it may receive an advanced apportionment of its estimated LCFF state aid equivalent to 37% of estimated ADA for July through November of the first year of operation as reported by the charter school and approved by its authorizing agency and the county office of education. Conditions for receiving this advancement are (1) the school begins instruction by September 30, (2) the charter has an SBE number, and (3) the charter has a County-District-School (CDS) code. This funding is not automatically generated. Charter schools must submit a PENSEC report and a Charter 20 Day report to receive this funding. The PENSEC report represents estimated attendance whereas the 20 Day report represents actual attendance data for the first 20 days of instruction. The charter school special advance includes a portion of the charter school's estimated LCFF state aid based on preliminary attendance and enrollment data. This first apportionment occurs between mid-September and mid-October. A second apportionment for December and January occurs in late December and is revised based on actual attendance for the first 20 school days as reported by the charter school and approved by its authorizing agency and county office of education.

The first apportionment is calculated using projected second principal apportionment period (P-2) ADA. The second apportionment uses actual ADA for the first 20 school days (EC 47652) (which must be reported to the CDE no later than five days following the 20th school day) and adjusts the remaining months' payments based on those 20 days of attendance. Estimates and actual reporting are submitted to the CDE using the PENSEC report available on the CDE's website: https://www.cde.ca.gov/fg/aa/pa/csfunding.asp - PENSEC.

For advance funding in the first apportionment period, the charter school should file its first PENSEC report immediately after the start of the new fiscal year on July 1. Charter schools may experience a negative impact on cash if they fail to request advance funding and file the PENSEC report within the required timeframe.

The PENSEC is also used to establish preliminary estimated allocations of federal categorical programs for newly operational and significantly expanding direct-funded charter schools based on current year enrollment and pupil demographic estimates. To qualify as new or significantly expanding for federal programs, the charter school must report in PENSEC, have a funding model of "direct," and meet federal program eligibility requirements.

Local Control Funding Formula (LCFF)

Implemented in 2013, the LCFF changed how all LEAs in the state are funded, how they are measured for results and the services and support they receive to allow all students to succeed to their greatest potential. The LCFF calculates unrestricted funding based on student demographic factors and provides flexibility to use these funds to improve student outcomes. As stated above, the state updates its funding allocations based on information submitted in the data collection software. FCMAT has created an LCFF calculator that assists charter schools with estimating their allocation based on the most current data known by the charter schools and should be used for budgetary purposes. The LCFF Calculator and related resources can be found at https://www.fcmat.org/lcff.

The CDE is responsible for calculating and certifying LCFF apportionments for all LEAs. The initial apportionment for each new fiscal year occurs in July and is referred to as the advance apportionment. The advance apportionment is based on a funding estimate using second principal apportionment (P-2) data from the prior year with statewide adjustments. Certifications of updated LEA data occur twice a year, in February and June. These two certifications contain three fiscal years: the current year, prior year and second prior year. Because LEAs can correct previously certified data, it takes three fiscal years to finalize the certifications. For example, fiscal year 2016-17 data was initially certified in the July 2016 advance but will not be finalized until the June 2019 annual apportionment Recertification 3. The certification schedule is as follows:

Fiscal Year	July Certification	February Certification	June Certification
1	Advance	First Principal Apportionment (P-1)	Second Principal Apportionment (P-2)
2	--	Annual Apportionment (Annual)	Recertification 1 (Annual R1)
3	--	Recertification 2 (Annual R2)	Recertification 3 (Annual R3)

In each period the certified values are updated, replacing the prior values, and funding is disbursed using the method discussed in the State Aid section below. For more information, visit the CDE web page: cde.ca.gov/fg/aa/pa/.

The CDE has developed an LCFF website with up-to-date information and frequently asked questions (FAQs). For further general information, visit http: /www.cde.ca.gov/fg/aa/lc/ .

Funding Calculation

The LCFF calculation is integral to budget development as it is the largest source of unrestricted revenue (revenue that can be used for any educational or operational purpose).

The LCFF entitlement has multiple components, including grade span base grants, grade span adjustments, supplemental and concentration grants, adjustments for applicable add-ons, economic recovery target and minimum state aid. For more calculation details visit the CDE's Principal Apportionment website at cde.ca.gov/fg/aa/pa. Each section below contains reference to the applicable Principal Apportionment exhibits.

The base grant rates are adjusted each year by the cost of living adjustment (COLA) defined in the state budget. The grade span adjustments for grades TK-3 and 9-12 are funded as a percentage of the base rate. The grades TK-3 adjustment is funded at the TK-3 base rate multiplied by 10.4%, and the grades 9-12 adjustment is funded at the 9-12 base rate multiplied by 2.6%. Together, the base grant rate and the grade span adjustments are called the adjusted base grant.

Adjusted Base Grant Rate — Sample

	Base Grant by grade span per ADA	$8,093	*2021-22 TK-3 rate*
x	Adjustment, 10.4% for TK-3 or 2.6% for 9-12	x 110.40%	*TK-3 adjustment, 10.4%*
=	Adjusted Base Grant per ADA	**= $8,935**	

Supplemental and concentration grant funding is based on the percentage of students who are identified as English learners, foster youth, or income-eligible for free or reduced price meals. This subset of the total student population is called the unduplicated pupil count (UPC) if expressed as a number, or unduplicated pupil percentage (UPP) if expressed as a percentage of total student population. Unduplicated means each student is counted only one time even though he or she may qualify under more than one category (e.g., both an English learner and a foster youth).

To determine the rate of supplemental and concentration grant funding, statewide rates per ADA are adjusted by the LEA's UPP over a three-year average to determine a local funding rate per ADA.

Unduplicated Pupil Percentage — Sample

2nd Prior Year + Prior Year + Current Year UPC	107	+	132	+	144	=	383	=	71.32% UPP
2nd Prior Year + Prior Year + Current Year Enrollment	152	+	181	+	204	=	537		

The supplemental grant provides additional funding to support students who are identified as English learners, foster youth or income-eligible for free or reduced price meals. Statewide, it is funded at 20% of the adjusted base grant. This statewide rate per ADA is then adjusted by the UPP to determine the local funding rate.

Supplemental Grant Rate — Sample

	Adjusted Base Grant by grade span per ADA	$8,935	2021-22 Adjusted Base Grant, TK-3
x	20% Supplemental grant factor	x 20.00%	
=	Statewide Supplemental Grant per ADA	= $1,787	Statewide Supplemental Grant TK-3
x	Unduplicated Pupil Percentage (UPP)	x 71.32%	LEA UPP
=	Local Supplemental Grant per ADA	= $1,274.49	Local Supplemental Grant, TK-3

Like the supplemental grant, the concentration grant provides additional funding to support students who are identified as English learners, foster youth or income-eligible for free or reduced price meals. However, concentration grant funding is provided only when the UPP exceeds 55% of the total student population. It is provided in addition to the supplemental grant funding. In other words, if a charter school has a UPP of 55%, it will receive supplemental grant funding but no concentration grant funding; if it has a UPP of 65%, it will receive supplemental grant funding and concentration grant funding, which will be funded at 10% (65% less 55%).

Statewide, the concentration grant is funded at 65% of the adjusted base grant per ADA. The statewide rate is then adjusted by the UPP greater than 55% to determine the local funding rate.

Concentration Grant Rate — Sample

	Adjusted Base Grant by grade span per ADA	$8,935	2021-22 Adjusted Base Grant, TK-3
x	65% Concentration Grant factor	x 65.00%	
=	Statewide Concentration Grant per ADA	= $5,807.75	Statewide Concentration Grant, TK-3
x	Unduplicated Pupil Percentage (UPP) greater than 55% per ADA	x 16.32%	LEA UPP of 71.32% less 55%
=	Local Concentration Grant per ADA	= $947.82	Local Concentration Grant, TK-3

The UPP applied to a charter school's concentration grant calculation is limited to no more than that of the highest UPP of a district in which the charter is physically located [EC Section 42238.02(f)(2)(A)]. Because of the 55% minimum UPP threshold, if the highest yielding school district of physical location has a UPP of 55% or lower, the charter school will receive no concentration grant funding.

The following example calculations show the various possible effects of the limit to UPP concentration grant funding. These examples assume the concentration grant is based on the 2021-22 TK-3 statewide concentration grant rate of $5,807.75 as calculated above.

Concentration Grant Limitation by School District of Physical Location

	Example 1	*Example 2*	*Example 3*
Charter School UPP	71.32%	71.32%	71.32%
School District UPP	83.12%	59.53%	52.83%
Charter School UPP for Concentration Grant	71.32%	59.53%	52.83%
Less: minimum threshold for funding	- 55.00%	- 55.00%	- 55.00%
UPP greater than 55%	16.32%	4.53%	0.00%
Statewide Concentration Grant rate per TK-3 ADA	x $5,807.75	x $5,807.75	x $5,807.75
Local Concentration Grant per TK-3 ADA	$947.82/ADA	$263.09/ADA	$0/ADA

In Example 1 above, the charter school's main office is located away from the school campus, in a TK-12 unified school district with a UPP of 83.12%, which is greater than the charter school's UPP of 71.32%. Because the school district's UPP is greater than the charter school's UPP, the charter school's local concentration grant funding rate is not reduced, and it is entitled to receive the full concentration grant funding rate of $947.82 per TK-3 ADA based on its own UPP.

In Example 2 above, the elementary school district only educates students in grades TK-8, but one of the school districts of physical location is a high school district that serves students in grades 9-12 and that has the highest UPP, at 59.53%. Because the school district's UPP is lower than the charter school's UPP but

greater than 65%, the charter school qualifies for a reduced rate of $263.09 in concentration grant funding per ADA and $1,274.49 per TK-3 ADA in supplemental grant funding.

In Example 3 above, a traditional classroom-based charter school serves students in grades TK-3 on the premises of an elementary school facility owned by the authorizing school district. The charter school's UPP is 71.32% and the authorizing school district's UPP is 52.83%. For purposes of this example, it is assumed the charter school has no other school districts of physical location, so it receives $0 per TK-3 ADA in concentration grant funding and $1,274.49 per TK-3 ADA in supplemental grant funding.

The LCFF legislation does not define physical location, but the CDE occasionally updates the definition. Further information is available here: cde.ca.gov/fg/sf/pa/padc1314faq.asp#csphysloc.

Transitional Kindergarten Add-On

The 2022-23 state Budget Act provides a transitional kindergarten (TK) add-on equal to $2,813 per TK ADA effective in 2022-23, and increases it annually by the statutory cost of living adjustment. The funding is intended to offset the additional costs associated with meeting TK class size and staffing ratios. Specifically, Education Code Section 48000 provides that, as a condition of receiving these funds, a school district or charter school will do the following:

- Maintain an average TK class enrollment of not more than 24 pupils for each school site.
- Maintain an average of at least one adult for every 12 pupils in 2022-23, increasing to one adult for every 10 pupils in 2023-24.

Increased or Improved Services Requirement Calculation

The use of supplemental and concentration grant funds must meet the requirement to increase and/or improve services for an LEA's unduplicated student groups compared to all students, proportionate to the increase in funding generated by the unduplicated student groups.

To determine the percentage by which services for unduplicated pupils must be increased or improved above services provided to all pupils in the fiscal year, an LEA should divide the amount of the LCFF attributed to the supplemental and concentration grant for the LEA by the remainder of the LEA's LCFF funding, excluding add-ons for the Targeted Instructional Improvement Grant program and the Home-to-School Transportation (see also Title 5, Section 15496 of the California Code of Regulations).

Effective with the 2021-22 year, LEAs that do not meet this requirement must carry over the balance (expressed as a dollar amount and a percentage) from the prior year and add it to the current year requirement.

Economic Recovery Target [EC Section 42238.025]

An Economic Recovery Target (ERT) is additional funding allocated to LEAs that would have received more funding under the former revenue limit apportionment funding model than the LCFF. Determination of funding was based on a one-time calculation prepared at the inception of the LCFF. Eligible LEAs receive the additional revenue determined by this calculation each year without any adjustment for COLA.

The ERT payment is now a permanent add-on to the LEA's LCFF formula funding.

Minimum State Aid and Additional State Aid [EC Section 42238.03(e)]

If a charter school would have received more state funding under the 2012-13 general purpose block grant system than the current LCFF entitlement, they will receive additional state aid. The Minimum State Aid

(MSA) guarantee is recalculated each year based on 2012-13 funding rates and current year ADA. The 2012-13 rates are held constant and not adjusted for the COLA in the state budget.

The difference between the MSA guarantee, offset and net state aid funding is called additional state aid (ASA). Because charter schools cannot be an excess tax district (which occurs when a school district receives property taxes in excess of the LCFF entitlement), charter schools that receive ASA may also incur an offset to the MSA guarantee [EC Section 47635(a)(4)]. The offset limits the ASA to no more than the LCFF entitlement.

Because the MSA/ASA is recalculated each fiscal year, a charter school will receive ASA if state funding under the LCFF is less than the amount received under the 2012-13 general purpose block grant system as adjusted for ADA.

LCFF Funding Sources

Similar to how the LCFF funding calculation is integral to the budget development process, calculating the source of LCFF funding is integral to the cash flow process. The sources of LCFF funding are state aid apportionment funding, Education Protection Account (EPA) funding, and local property tax dollars transferred from authorizing school districts. The source determines the frequency and timing of the payment.

For the following section, think of the LCFF calculation as defining a container of funding for each LEA. Once the container is defined, it is filled with funding from different sources. Note that the percentage received from each source varies by LEA but will not exceed a charter school's LCFF calculated entitlement.

In-Lieu of Property Taxes [EC Section 47635]

In-lieu of property taxes are the portion of taxes collected by the local school district that must be transferred to the charter school serving that geographic location or the students that reside in that geographic location. The entity responsible for transfer of in-lieu of property taxes to a charter school as outlined in EC Section 47632(i) depends on three factors: charter type, charter authorizer, and student population serviced by the charter school as shown in the table below.

Charter Type	Charter Authorizer	Program/Population Served	Charter Sponsor (entity responsible for in-lieu of property taxes)
Regular Charter School	District	Regular program serving TK-12 ADA	The district that authorized the charter school.
Regular Charter School	COE	Regular program serving TK-12 ADA	The district that denied the charter school.
Regular Charter School[1]	SBE	Regular program serving TK-12 ADA	District of residence, if basic aid in prior year.
Countywide Charter	COE	Regular TK-12 program that may operate at one or more sites within the county; provides services not generally provided by a COE (not a county-type program)	District of residence, if basic aid in prior year.
County Program Charter	COE	TK-12 program serving pupils the COE would otherwise serve (primarily special education, county community school, and juvenile court school)	District of residence, except for pupils who generate ADA rates per EC Section 47631(b)

1. includes charters approved by SBE with oversight responsibilities delegated to a district or COE.

The county does not distribute property taxes directly to a charter school. Instead, the authorizing LEA passes through a portion of property taxes to the charter school; this is called in-lieu of property taxes (sometimes written as in-lieu property taxes or in-lieu of property taxes) and is recorded as a credit to Object 8096, Transfers to Charter Schools in Lieu of Property Taxes.

For most authorizing LEAs, the in-lieu of property tax calculation is performed by dividing property tax receipts by the total of charter school and LEA ADA:

In-Lieu of Property Tax — Example

Property Tax	$9,879,234	=	$982.25/ADA
LEA ADA + All Sponsored Charter School ADA	(9,881.40 + 176.40)		x 176.40 ADA
			= $173,269

In its first operational year or when expanding grades served, a charter school may submit projected ADA and other pupil count information via the PENSEC and Charter 20 Day special data collections. Estimated ADA and UPP information from these special data collections is used to calculate the in-lieu of property tax transfer for August through January. Two payments are made in approximately September and December. The September payment, equivalent to approximately 28% of total estimated in-lieu of property tax, is for the months of August through November. The December payment, equivalent to approximately 18%, is for the months of December and January. (See more on this in the section above under PENSEC).

Aug	Sep	Oct	Nov	Dec	Jan
	28%			18%	

For all other charter schools, the authorizing agency transfers in-lieu of property taxes no later than the 15th of each month, per the following schedule:

Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
6%	12%	8%	8%	8%	8%	8%	14%	7%	7%	7%	7%
Prior Year Second Principal							Current Year First Principal				Prior Year Second Principal
6%	12%	8%	8%	8%	8%	8%	1/3	1/6	1/6	1/6	Remainder

Because property taxes are certified multiple times throughout the year, actual transfer receipts may vary from the above schedule because of changes in the certification. A final payment is made in February of the subsequent fiscal year after ADA and school district property tax receipts are certified.

Pursuant to EC Section 47635(b)(4), in-lieu of property taxes are final as of the third annual recertification of the fiscal year's LCFF data. Therefore, it is important to monitor for potential over- or underpayment, especially when recertification occurs. If left unmonitored, in-lieu of property tax transfers could negatively affect a charter school's cash flow.

State Aid [EC Section 14041]

The second source of LCFF funding is state aid, which is received from the state of California and makes up the difference in per-pupil funding between in-lieu of property taxes and the remainder of LCFF, providing equity between LEAs. State aid is recorded as a credit to Object 8011, LCFF State Aid—Current Year, or Object 8019, LCFF/Revenue Limit State Aid—Prior Years.

State aid is funded on a monthly schedule usually referred to as the 5-5-9 schedule. Because the entitlement is recertified based on the advance, first principal and second principal apportionment certifications, the amounts received per month will vary from the schedule below.

Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
5%	5%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Advance							First Principal				Second Principal
5%	5%	9%	9%	9%	9%	9%	1/5	1/5	1/5	1/5	Remainder

Education Protection Account (Section 36, Article XIII of the California Constitution)

Proposition 30, which passed in 2012-13, initially provided two temporary tax increases: a sales tax that expired in December 2016, and an income tax that was extended until 2030 by the passage of Proposition 55 in November 2016, which amended section 36 of Article XIII of the California Constitution. EPA funding is recorded in Object 8012, Education Protection Account State Aid—Current Year, or in Object 8019, LCFF/Revenue Limit State Aid—Prior Years. It is funded as a percentage of state aid. In the standardized account code structure (SACS), Resource 1400, Education Protection Account, has been established. All LEAs that receive EPA funds, including charter schools, are required to use these account and resource codes. Charter schools that report financial data via the Alternative Form, which does not contain resource codes, should still use Objects 8012 and 8019 to record the EPA entitlement.

The tax revenues received from EPA are allocated to LEAs in proportion to the revenue limit, the funding allocation method prior to LCFF. Because revenue limit funding is no longer calculated, an equivalency calculation is performed to determine an adjusted revenue limit included in the LCFF floor. The adjusted revenue limit is based on the 2012-13 general purpose funding per ADA, which is also used in the LCFF floor calculation (see Example 1 below). For charter schools that did not exist in 2012-13, EPA is funded at the minimum of $200 per ADA (see Example 2 below).

Because EPA offsets other state aid received under LCFF, it usually does not increase funding. If a charter school receives a large amount of in-lieu of property tax and less than $200 per ADA, or no amount of state aid, it will receive the minimum EPA allocation of $200 per ADA, which may produce a minimal amount of funding in addition to LCFF funding (see Example 3 below).

Education Protection Account

		Example 1	*Example 2*	*Example 3*
	2012-13 General Purpose/ADA	$5,109	$0	$5,109
x	ADA	x 175.05	x 175.05	x 175.05
=	Adjusted Revenue Limit in LCFF Floor	= $894,330	= $0	= $894,330

x EPA Proportionate Share Rate	x 25.71753%	x 25.71753%	x 25.71753%
= EPA Proportionate Share	$230,000	$0	$230,000
Is In-Lieu of Property Tax Greater?	No – $173,269	NA	Yes – $530,023
$200/ADA Minimum	$35,010	$35,010	$35,010
EPA Entitlement	$230,000	$35,010	$35,010

EPA is funded quarterly as a statewide percentage of the adjusted revenue limit. In addition, it is recertified with each payment based on new information known. The annual payment schedule is as follows:

Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
0%	0%	25%	0%	0%	25%	0%	0%	25%	0%	0%	25%
1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		

The final percentage of adjusted revenue limit and any LEA ADA adjustments are certified in March of the subsequent fiscal year. Adjustments are included in the March payment but may also affect the June payment if they include a reduction larger than the March payment.

For further information, visit the CDE Education Protection Account webpage at http://www.cde.ca.gov/fg/aa/pa/epa.asp. For specifics on SACS and accounting related to EPA funds, see also http://www.cde.ca.gov/fg/ac/ac/sacsfaq.asp.

Other Funding Sources

Grants are another key revenue source for charter schools; these can be federal, state or privately funded grants. These include various federal programs such as Title I, Title II, Title III, Title IV, and free and reduced price meals program funds. It may also include start-up funding for new charter schools.

Lottery (Government Code Sections 8880-8880.72)

In November 1984 California voters passed Proposition 37, the California State Lottery Act of 1984, to provide supplemental funding to public education without imposing additional or increased taxes. Lottery proceeds are disbursed as follows:

- 50% is returned to players as prizes
- A minimum of 34% is allocated to public education
- A maximum of 16% is used to administer the lottery

Initial lottery funding received under Proposition 37 could be used for any instructional purpose. However, Proposition 20, the Cardenas Textbook Act of 2000 (March 2000), created restrictions for a portion of the lottery funds allocated to public education and divided lottery into two resources, creating separate funding specifically for instructional materials. Instructional materials funding is received only after state lottery receipts exceed the amount received in 1997-98. One-half of the increase over the 1997-98 level is allocated for instructional materials. For more information on the background, statewide calculation or use of funds, visit the CDE Lottery FAQs web page at: http://www.cde.ca.gov/fg/aa/lo/lotteryfaqs.asp. The state calculates unrestricted lottery and restricted Proposition 20 lottery funding before disbursing the funding. When received, the funding is recorded as follows:

Funding	Object	Resource (SACS coding)
Unrestricted Lottery	8560	1100
(non-Proposition 20)	State Lottery Revenue	Lottery: Unrestricted
Restricted Lottery	8560	6300
(Proposition 20)	State Lottery Revenue	Lottery: Instructional Materials

Lottery funding is based on current year grades TK-12 annual ADA multiplied by the statewide average excused absence factor of 1.04446. However, because current year annual ADA is not known until the end of the fiscal year, the funding is initially allocated using the prior year's annual ADA and adjusted in the subsequent fiscal year. The prior year adjustment is added to or withheld from the second and third quarter payments in the subsequent fiscal year.

Calculate ADA for Current Year Lottery Funding — Example

	Prior Year P-Annual ADA	837.75	Prior Year TK-12 ADA
x	Statewide Average Excused Absence Factor	x 1.04446	Excused absence factor
=	Prior Year P-Annual ADA for Lottery funding	= 875	Funding ADA for Lottery

Calculate ADA for Subsequent Fiscal Year Adjustment — Example

	Actual P-Annual ADA	815.94	Actual TK-12 ADA
x	Statewide Average Excused Absence Factor	x 1.04446	Excused absence factor
=	Actual P-Annual ADA for Lottery funding	= 852	Actual ADA for Lottery
–	Prior Year P-Annual ADA for Lottery funding	– 875	
=	ADA Adjustment	= (23)	ADA Adjustment

Lottery funding is received quarterly, but the instructional materials portion is received only after the 1997-98 level is reached. As of the 2020-21 fiscal year, instructional materials lottery begins payment in the second quarter. If lottery funding continues to increase, payment may start in the first quarter in the future.

Following is a summary of the payment schedule. Note that lottery funding is disbursed a quarter in arrears, and the first quarter payment occurs in December. Actual quarterly lottery funding apportionments are based on state receipts, but approximate funding percentages are provided below for planning.

	September	December	March	June
Payment Period:	Prior Year 4th Qtr	1st Qtr	2nd Qtr*	3rd Qtr*
Combined Resources 1100 & 6300	25%	25%	25%	25%

* May include prior year adjustments

Because lottery funding is based on prior year annual ADA, a new charter school will not receive lottery funding in its first year of operation; it will receive its first lottery apportionment in December of the second year of operation. That payment will include the entire prior year apportionment from the first year of operation plus the first quarterly estimate for the current year.

For further information, visit the State Controller's Office Lottery webpage at https://www.sco.ca.gov/ard_payments_lottery.html.

Use of Lottery Funds

As stated above the intent of the California State Lottery Act of 1984 is that all funds allocated shall be used exclusively for educational purposes. Government Code Section 8880.5(m) prohibits expenditure of funds specifically for the following:

- Acquisition of real property
- Construction of facilities
- Financing of research
- Other noninstructional purposes

Furthermore, Proposition 20 lottery funds are more restrictive in that they can only be used for the purchase of instructional materials. Education Code Sections 60010(h) and 60010(m)(1) provide definitions for instructional materials and technology-based materials.

Special Education

State law requires charter schools to accept all interested students if school sites have available capacity. Both state and federal law specifically prohibit charter schools from refusing to accept a student based solely on a disability.

Special Education Funding

Pursuant to the authorizing petition's provisions on special education, charter schools can organize special education services in one of two ways: as a public school of its authorizing LEA or as an independent LEA member of a consortium special education local plan area (SELPA), including one of the charter-only SELPAs. Charter schools that opt for LEA status — either within a consortium SELPA or as a member of a charter-only SELPA — assume full legal responsibility for ensuring students with disabilities receive the services they are entitled to under federal law (EC Sections 47640-47647).

In the event a charter school opts to participate as a school of the authorizing LEA, the authorizing LEA shall ensure that all pupils with disabilities enrolled in the charter school receive special education and designated instruction and services in a manner consistent with their individualized education program (IEP) and in compliance with the federal Individuals with Disabilities Education Act (IDEA) and implementing regulations, including Section 300.209 of Title 34 of the Code of Federal Regulations (EC Section 47646).

Special education services are supported through three funding sources: federal, state, and local. Federal IDEA and state special education funds are provided through separate categorical grants. At the time of this publication, California has 11 special education categorical programs; the largest of these is known as AB 602 after its authorizing legislation. AB 602 provides SELPAs funding based on their overall student attendance, regardless of how many students receive special education or what kinds of services those students receive. Other major state special education programs include, but are not limited to, mental health services, out-of-home care, workability, and low-incidence disabilities. Most of the federal special education funding is also allocated based on overall student attendance to SELPAs and includes funding for all services the SELPA provides as well as funds specifically designated for mental health services.

FCMAT recommends charter schools review Procedure 755 in the California School Accounting Manual (2019 Edition) for detailed information on special education program funding and accounting practices at https://www.cde.ca.gov/fg/ac/sa/.

State Low Incidence Funds

Low incidence funds are available for use on behalf of students certified as having a low incidence primary or secondary disability through the assessment and IEP process. Low incidence disability is defined as a severe disabling condition with an expected incidence rate of less than 1% of total statewide enrollment in special education. Low Incidence disabilities are:

- Hard of Hearing (HH)
- Deafness (DEAF)
- Visual Impairment (VI)
- Orthopedic Impairment (OI)
- Deaf-Blindness (DB)

The allocation of low incidence funds to the SELPA is based on the prior year December 1 student count in the categories listed above. The funds are provided to the SELPA by the CDE and are accounted for separately from the total special education entitlement. The materials and/or services acquired through low incidence funding must be:

1. Required for the student to meet IEP goals and objectives.
2. Required for the student to access general education.
3. Specialized as it relates to a need, or the needs of the low incidence disability indicated in a comprehensive evaluation completed by staff or a provider who is credentialed/knowledgeable of the low incidence disability area(s).

Maintenance of Effort

State and federal funding sources are designed to supplement the general education program, not support a standalone program. Typically, the combined state and federal financial resources are insufficient to cover even the most efficient special education program. Therefore, this contribution is the amount of funding that a charter must transfer from its unrestricted general fund to pay for the portion of special education costs that exceed program revenues.

Pursuant to Education Code Section 47646, an authorizing LEA must ensure that a charter school contributes an equitable share of its general fund to districtwide special education instruction and services when participating as a public school of the authorizing LEA.

Federal law imposes a maintenance of effort (MOE) requirement on state and local spending, mandating that both states and LEAs spend at least as much on special education each year as they did in the preceding year to receive federal special education funding. Each LEA receiving federal funds must pass an MOE test for both the current and budget years. The SELPA must also pass both tests. While IDEA allows LEAs to reduce their special education expenditures in some circumstances, such as when special education enrollment declines or a high-cost student leaves the LEA, care must be taken to ensure the LEA still meets its MOE requirement. If an LEA does not meet the requirement because it spent less state and/or local money in the current year than in the prior year, there is a dollar-for-dollar reduction in revenues.

Charter schools should monitor special education spending levels and review the MOE calculation throughout the fiscal year to ensure the requirement is met annually at year-end.

Charter School Facility Grant (SB 740)

The Charter School Facility Grant Program (commonly referred to by its authorizing statute as the SB 740 grant program) provides grants to offset annual ongoing facility costs for charter schools that serve a high percentage of students eligible for free or reduced-price meals or that are in a public elementary school boundary serving a similar demographic. The SB 740 program is administered by the California School Finance Authority (CSFA) in the California State Treasurer's Office.

The SB 740 grant program requires a new application each year to establish eligibility (usually released in April and due five weeks from the date of release) and is generally oversubscribed resulting in the proration of available funds to eligible schools. Further information, FAQs, and regulations governing the program are available on the CSFA website at http://www.treasurer.ca.gov/csfa/csfgp/index.asp.

Fundraising and Donations

Fundraising

Charter schools are publicly funded; however, fundraising is sometimes necessary to secure the resources a charter school needs to fulfill its mission and provide the best education possible.

It is a best practice for the governing board to review and approve all proposed fundraising activities. Before approving any events, the board must consider many issues such as student safety and whether the insurance company will insure the event, Board members may also have concern about the number and type of fundraising events and whether events interfere with the normal conduct of the school(s). As a good practice, the governing board should review and approve all fundraising events at the beginning of each school year or designate an administrator to do this so that conflicts can be avoided. As the year proceeds, any additional fundraisers should require board approval. Another method is for the governing board to approve policies and administrative procedures that delineate allowable and prohibited fundraising events; the board would still need to designate an administrator to approve all fundraising events in advance.

For each event and as a requirement for board approval, a budget, including an estimate of income and expenditures, should be prepared and presented. Once the event concludes, a comparison between the budget and actual amounts should be prepared, and the outcome should be reported to the board. The collection and deposit of fundraising revenue should follow best practices for cash handling procedures, which may require deposits to be made before the conclusion of fundraising activities.

All expenses for fundraising activities should be processed following the accounts payable procedures; cash from ticket sales or other fundraising proceeds should not be used to reimburse individuals or pay vendors.

If collecting cash, a cash count form should be used. The cash count form should list:

- Name and date(s) of the event
- Person(s) responsible for the event
- Printed name(s) (initialed/signed) of those that counted the cash
- Date and employee printed name (with signature) that received the fully counted funds from the counters

- Date and employee printed name (with signature) that verified the funds and prepared the deposit for the bank

When fundraising occurs at multiple charter school sites, the funds raised for each school should not be shared between school sites; funds may only be used for the school and purpose for which they were intended.

Funds may be used for operating purposes unless restricted by the donor. All fundraising revenue should be used as requested by the donor or as stated in the fundraising documentation.

Donations

Charter schools may receive donations of cash, supplies or equipment from parents, students, community members and business entities. Any donations must be voluntary and cannot be a condition for admission or continued enrollment.

It is recommended that the board carefully consider any conditions or restrictions imposed by the donor prior to accepting any donation to ensure consistency with the charter's vision, philosophy, and operations. If the board believes the charter will be unable to fully satisfy the donor's conditions, the donation should not be accepted.

In addition, the board should ensure that acceptance of the donation does not:

1. Involve creation of a program that the board would be unable to sustain when the donation is exhausted.
2. Entail undesirable or excessive costs
3. Promote the use of violence, drugs, tobacco, or alcohol or the violation of any law or charter
4. Imply endorsement of any business or product or unduly commercialize or politicize the school environment

Donations may be received but should never be deposited, acted on or put into use until after the charter school's governing board or board designee has formally approved and accepted the donation. Once the donated funds are approved, the donation belongs to the charter school; it may not be returned to the donor. It is for the exclusive use of the charter school, and it may not be used to influence anyone at the charter school.

Any donor may choose to state a specific purpose for which the funds are being donated. If the governing board accepts a donation given for a specific or restricted purpose, the donated funds may be used only for that purpose.

Donations of Cash to a Charter School or Program

If a donation is made to a particular charter school, or to a specific program, the designee must remit the donation to the charter's business office in accordance with the charter's procedures for cash handling. If the donation is a check or cash, the business office will deposit the funds and record the revenue as a donation for that specific school or program. The school or program budget will then be adjusted to allow the site administrator or designee to use the funds. A separate budget is usually set up to identify donor funds and to show how they have been spent and their available balance. Funds that remain unexpended at year-end are carried over to the new budget year. The site administrator or designee will determine how to use the donated funds, within the charter's guidelines, and should ensure that the donor's requests are considered.

The charter school's board policy regarding donations needs to be understood so that staff members can follow the correct procedures for notifying the governing board and other district employees and/or departments when they are received and ensure that the business office records them correctly. In some charters, all donations are brought to the governing board for acceptance; in others, only donations greater than a certain dollar amount are brought to the board. In either case, the correct policy and procedure should be followed.

Donations of Gift Cards to a Charter School or Program

When a charter receives a gift card as a donation, it is important to make sure it is recorded accurately in the correct entity's financial records. A donation of a gift card is technically a gift, which the California School Accounting Manual (CSAM) defines as "anything of value received from any source for which no repayment or service to the contributor is expected." FCMAT considers a gift card to be a cash gift. The CSAM states that gifts are considered local revenue, so a gift card should be recorded in the general ledger with an entry of a debit to cash and a credit to local revenue in the charter's records.

FCMAT recommends working with the business office to establish procedures for using a gift card; these should include a check-out system, a requirement to return the card after each use with the original receipt, and other measures so that the card's use can be tracked to ensure that expenditures are appropriate and its full balance is used. As the gift card is used, an entry can be made in the general ledger with a debit to the appropriate expenditure and a credit to cash.

Donations of Funds for Supplies or Equipment

Charter schools may also receive funds from a donor for supplies or equipment. When this occurs, the acceptance of the donation should follow all of the procedures as stated above. It is important that the supplies and/or equipment are not purchased until the funds have been received and accepted. Additionally, if the donor has stated that the funds are to be used for a specific purpose, the donated funds may only be used for that purpose.

The charter school will then carry out the purchase through its purchasing system and in accordance with its purchasing guidelines and California law. When supplies or equipment are purchased using donated funds, the supplies or equipment become the property of the charter school. All equipment and supplies purchased for the charter school must be shipped to the charter school's address. The donor's address may not be used for purchases made for the charter school using donated funds.

If a donor has supply or equipment items they wish to donate to the charter school, the charter school's governing board or board designee must accept the donation, and those items become the property of the charter school. If the supplies or equipment have no reasonable use or purpose for the charter school, the donation should not be accepted.

Reserves (Budgetary versus Cash)

Budgetary reserves are often confused with cash. Cash reserves are a component of budgetary reserves. Therefore, a reserve based on overall net position (fund balance) could have insufficient cash to fund a charter school's operations. Revenue receipt and expenditure payment schedules and expectations should be closely monitored to ensure adequate cash reserves.

In general, a 5% budgetary reserve does not mean that the charter school has 5% of total budgeted expenditures available as cash on hand. For example, an increase in accounts receivable represents an increase in revenue, which increases overall all net assets; however, this does not increase cash at the time the

receivable is recognized. Sometimes a receivable is not recognized until months later, and in rare cases may become disallowed. For this reason, some or all budgetary reserves may not be immediately available.

A prudent level of budgetary reserves is maintained for economic uncertainties and is needed to manage cash flow and help protect a charter school from unforeseen revenue shortfalls, unexpected costs, and economic uncertainties. Budgetary reserves also help a charter school save for large purchases and reduce the cost of borrowing money. Where no reserve level is established in an MOU, charter school boards should, at a minimum, establish budgetary reserves based on the number of ADA (5 CCR Section 15450). Information on budgetary reserves can be found in the Criteria and Standards for Fiscal Solvency on the CDE website at https://www.cde.ca.gov/fg/fi/ss/. Below are the required budgetary reserves level for fiscal year 2020-21:

> (a) Available reserves for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures and other financing uses:
>
> the greater of 5% or $71,000 for districts with 0-300 ADA
>
> the greater of 4% or $71,000 for districts with 301-1,000 ADA
>
> 3% for districts with 1,001 to 30,000 ADA
>
> 2% for districts with 30,001 to 400,000 ADA
>
> 1% for districts with 400,001 and over ADA

If the charter uses the modified accrual method of accounting (like school districts), available budgetary reserves are the unrestricted amounts in the stabilization arrangements, reserve for economic uncertainties, and the unassigned/unappropriated accounts in the general fund and the special reserve fund for other than capital outlay projects. Available budgetary reserves will be reduced by any negative ending balances in restricted resources in the general fund. If the charter uses full accrual basis, available budgetary reserves are the unrestricted net position less any reserves made by the board.

FCMAT recommends that charter schools adopt a minimum cash reserve of 5% of the total of all budgeted expenditures and develop a five-year plan to increase that reserve from 5% to at least 10% of total budgeted expenditures.

Chapter 5 – Accounting

Accounting – The Basics

A high percentage of charter schools that cease operations do so because of financial difficulties. Therefore, a basic understanding of bookkeeping, accounting, and financial statements is critical to the successful operation of a charter school. Even when using a reputable back-office service provider, those individuals entrusted with fiduciary responsibility in the organization should be familiar with basic bookkeeping, accounting, and financial reporting.

Accounting versus Bookkeeping

Good accounting is the foundation for the successful financial management of any organization, and begins with accurate bookkeeping (i.e., keeping proper records of an entity's financial transactions).

Simply put, bookkeeping entries are used to establish accounting records, and accounting records are used to produce financial reports. Bookkeeping and accounting have two common purposes:

1. To accurately record and track income and expenses. Administrators use this information to assess whether financial activities are occurring as projected or whether revisions are needed.
2. To collect and process the financial transactions needed for the charter school to file required federal, state, local, and organizational reports, including but not limited to payroll, sales and use, and income tax reports.

Charter schools must establish and maintain strong accounting and bookkeeping systems to understand how, where, and when money is coming into and spent by the organization. Key charter school management and business staff should understand two important concepts:

1. How financial data flows through the accounting process to provide meaningful information to interested parties, such as the charter school governing board, authorizing entities, and federal, state, and local governments.
2. Accounting systems are the basic component of fraud prevention and a strong internal control environment.

Although many charter schools use external back-office business service providers to perform bookkeeping and accounting services, charter school administrators should be knowledgeable about the school's financial position and familiar with the components that drive revenues and expenditures.

Bookkeeping

Bookkeeping is the activity or occupation of recording the day-to-day financial affairs of a business. Examples include writing checks, recording disbursements, processing payroll, and recording receipts.

Whether bookkeeping is performed in-house or by a qualified back-office service provider, ensuring that the charter school has knowledgeable, skilled, and experienced bookkeeping staff is foundational to financial success.

Double-Entry Bookkeeping

Double-entry bookkeeping is the system of bookkeeping where a transaction is recorded in two or more different ledger accounts. This system minimizes errors and ensures an organization's accounts remain

balanced. The double-entry system has two equal and corresponding sides known as debit and credit, the total of which are always equal in a double-entry bookkeeping transaction.

Debits Equal Credits

Bookkeeping entries are divided into debits and credits. The double-entry system of bookkeeping lists debits in one column and credits in the other and requires that the sum of those two columns be zero.

Debits are typically listed on the left side of the ledger page and credits on the right. Debits record transactions relating to purchases, expenses, or increases in the assets of the charter school. Credits record transactions relating to revenues or increases in the equity and liabilities of the charter school.

Recording a transaction requires both a debit and a credit entry. If the entries are recorded correctly, the totals from both sides will agree. For example, using the account types in the table below, when a charter school receives a reimbursement check for $10,000 from the state for the school lunch program, the asset account number 9100, Cash, is debited or increased by $10,000 and the income account number 8520, Child Nutrition, is credited or increased by $10,000; the net sum is zero and the debits and credits balance.

The following table illustrates the effect of a debit or credit entry by each major account type:

Account Type	Debits	Credits
Assets*	Increases	Decreases
Liabilities**	Decreases	Increases
Net Assets**	Decreases	Increases
Income**	Decreases	Increases
Expenses*	Increases	Decreases

* Normally a debit balance account.
** Normally a credit balance account.

Accounting

Accounting encompasses the broader responsibilities of developing, maintaining, analyzing, and auditing the financial records of a business for the purpose of reporting the financial position and operating results to interested parties, such as charter school management, governing board, authorizing entities, and other key stakeholders.

Accounting involves recording timely and accurate financial transactions according to an established chart of accounts. The charter school petition or renewal petition should specify the account code structure the charter school intends to use to fulfill its financial reporting requirements. Although charter schools have the option to report annual financial statements using an alternative format, a charter school's chart of accounts should follow the state's Standardized Account Code Structure (SACS) to the extent possible per guidance provided in the CSAM (Title 5, Section 15071 of the California Code of Regulations). Further information on the SACS, CSAM, and Alternative Form is available in other sections of this manual.

Accounting System – Transaction Groups

A charter school accounting system is organized into four major transaction groups: revenue, purchasing, payroll, and general journal. All accounting transactions are posted simultaneously to journals and to the general ledger, which maintains all chart of account balances. Although bookkeeping is mostly performed

electronically using accounting software that often does not include subsidiary journals, charter school business leaders must still understand the flow of financial data in accounting transactions.

Examples of accounting transactions include the following: cash receipts from apportionments and grants, purchases from suppliers such as books, cash disbursements for payments for purchases, and employee payroll. An effective accounting system processes and compiles all financial transactions, and serves to update the school's general ledger, which is then used to prepare charter school financial statements and other reporting.

Revenue Accounting

Accounts Receivable

Accounts receivable (AR) has its own separate journal that records sales or anticipated revenue that has not been received but has been earned; the cash receipts journal is affected when the money is received. For AR transactions, the sales/invoice journal is used. These transactions are also tracked in individual AR customer account ledgers.

Cash Receipts and Deposits

When money is received for an AR balance, the deposit is posted, which reduces the AR balance in the cash receipts journal; the AR customer account is reduced, the sales/invoice journal is reduced, and the appropriate individual AR customer ledger is reduced to show that the money was received. The cash or bank account ledger is increased by the amount of cash received.

Purchasing Accounting

Purchase Orders

When the charter school generates a purchase order (PO), funds are encumbered or set aside to fulfill that planned expenditure. For example, if the charter school purchases art supplies from XYZ Art Depot, an approved PO would be sent to XYZ Art Depot indicating that the charter school has authorized the purchase of art supplies. XYZ Art Depot ships the art supplies to the charter school and submits an invoice that includes the PO number. Most accounting software programs have the capability to track PO transactions. In this example, the system would increase account number 4300, Materials and Supplies Expense, and account number 9500, Accounts Payable – XYZ Art Depot, by the purchase amount when the PO is printed and/or authorized.

Accounts Payable

Accounts payable (AP) has its own separate journal that records purchases and cash disbursements by vendor name or vendor account number; the cash disbursements journal is affected when the payment is issued. An AP transaction is created when a liability is incurred.

Cash Disbursements and Checks

When payment is made for an AP transaction, the payment is posted, which reduces the AP balance in the cash disbursements journal; the AP vendor account is also reduced; and the PO is closed out. The cash or bank account ledger is decreased equal to the amount of cash paid.

Payroll Accounting

Payroll data is tracked by individual employee in a payroll journal. When the charter school initiates the payroll transaction, the payroll journal and cash disbursements journal are affected. All payroll activity –

such as gross wages, employer and employee tax withholdings, employer fringe benefits expenses, and retirement, insurance premiums, and other voluntary deductions – is recorded in the general ledger.

General Journal Accounting

All correcting or adjusting entries for any transaction are posted as journal entries and compiled in the general journal, which is then recorded to the general ledger.

Basic Accounting Formula

An asset is defined as an item of ownership having value that can be converted into cash or is otherwise available to meet debts and operating commitments. Charter school asset accounts generally reflect the following classifications: cash, accounts receivable, inventory, prepaid expenses, equipment, and property.

A liability is defined as money owed, such as debts or other obligations that reduce the charter school's value. Charter school liability accounts generally reflect the following classifications: accounts payable, debts, and loans payable.

Equity, also known as net assets, is the difference between all recorded assets and liabilities on a charter school's balance sheet.

Asset accounts will always equal the total of all liability and equity accounts. Therefore, the basic accounting formula may be expressed in two ways:

1. Assets = Liabilities + Equity
2. Equity = Assets - Liabilities

The equity account contains the net result of all transactions summarized in income and expense accounts since a charter school's inception. At the end of a recorded period (e.g., fiscal year), the income and expense accounts are totaled, and the net result added to or deducted from the equity account. In other words, when a charter school closes a fiscal year with a net profit (meaning revenues are more than expenses), that positive net amount results in an increase in assets on the balance sheet, thereby increasing the charter school's total equity or net assets.

When total assets are greater than total liabilities, the resulting positive net amount represents the true value (i.e., the equity or net assets) of the charter school. When a charter school's total assets are less than total liabilities, the charter school owes more than it owns in assets, resulting in a negative net assets value. Negative equity is an obvious warning sign for imminent failure. Most charter schools that close for financial reasons have negative equity.

All accounting transactions are posted to one or more accounts, and every recorded transaction must balance, which means debits must equal credits. If the basic accounting formula is out of balance, the cause is always an incorrect transaction where debits did not equal credits. In general, accounting software rarely allows for an out-of-balance transaction due to internal controls built into the software system.

Basis of Accounting

Basis of accounting refers to the timing of when transactions and events are recognized in accounting records and reported in financial statements. The different bases of accounting include: 1) cash basis, 2) modified accrual basis, and 3) accrual basis.

Charter schools should use the same basis of accounting when preparing annual unaudited actuals and audited financial reports. If a charter school uses a different basis of accounting for each report, the net

assets and other account balances will likely not agree, and thereby generate questions when the charter authorizer, CDE, and State Controller's Office review and compare the two reports.

Charter schools operating as or by a nonprofit public benefit corporation generally use the accrual basis of accounting.

Cash Basis

The cash basis of accounting recognizes revenues when cash is received, and expenditures (or expenses) are recorded when cash is disbursed. LEAs, including charter schools, are not allowed to use the cash basis of accounting.

Modified Accrual Basis

The modified accrual basis of accounting combines in part both accrual basis and cash basis accounting. Modified accrual accounting recognizes revenues when they become available and measurable, and with a few exceptions, records expenditures when liabilities are incurred. LEAs use the modified accrual basis in governmental funds. This method is also commonly used by charter schools operating as a school of the authorizing agency.

- Available means the funds are collectable within the current accounting period, or soon thereafter, to be used to pay the liabilities of the current period; this usually means they are collectible within one year.
- Measurable means the amount of funds is known or can be determined by some analysis or measurement.

Accrual Basis

The accrual basis of accounting recognizes revenues and expenses when earned or incurred, without regard to when payment is issued or received. A benefit of the accrual basis of accounting is that it provides a more accurate indication of income and expenses during a period, thus presenting a better overall picture of the charter school's financial condition. Charter schools operating as or by a nonprofit public benefit corporation generally use the accrual basis of accounting.

Further information relating to the basis of accounting is available in the California School Accounting Manual at https://www.cde.ca.gov/fg/ac/sa/.

Accounting Transaction Example – Accrual Basis

Using the accrual basis of accounting, a charter school purchases, on account, art supplies from XYZ Art Depot for $2,000. The charter school receives the art supplies and an invoice from XYZ Art Depot for $2,000. The bookkeeper records a $2,000 increase to account number 9500, Accounts Payable - XYZ Art Depot, and an increase of $2,000 to account number 4300, Materials and Supplies Expense. The individual vendor account, XYZ Art Depot, now shows that it is owed $2,000, and this agrees with the accounts payable aging report, which lists all payables to vendors.

When the charter school authorizes the bookkeeper to pay XYZ Art Depot in full, a check is written for $2,000. Writing the $2,000 check reduces account number 9100, Cash, and reduces account number 9500, Accounts Payable – XYZ Art Depot. Note that account number 4300, Materials and Supplies Expense, is not affected by the payment because under the accrual basis of accounting the expense was recognized when the liability was incurred, which was when the charter school received the art supplies from XYZ Art Depot.

The general ledger comprises all accounting transactions for all accounts included in the school's chart of accounts. If the XYZ Art Depot transaction of $2,000 is the only materials and supplies purchase for the year, the account number 4300, Materials and Supplies Expense, year-to-date balance will be $2,000. If the charter school has budgeted that it will spend $2,000 for materials and supplies the entire year and no other materials and supplies are purchased during the year, the difference between the budgeted and actual materials and supplies expenditures is zero.

Financial Statements

Financial statements are the primary written records to convey the business activities and financial performance of an organization like a charter school and specifically include the following: 1) balance sheet, 2) income statement, and 3) cash flow statement. In combination, these statements provide an essential tool to evaluate a charter school's financial health and determine its ability to fulfill its educational mission and goals. The best practice for charter schools is to prepare and present these three statements to the governing board for review and approval monthly.

Balance Sheet — Statement of Financial Position

The balance sheet, also known as the statement of financial position, provides an overview of assets, liabilities, and equity at a specific point in time, and when compared to other specific points in time, is a key indicator of a charter school's overall financial health. The balance sheet can answer questions such as whether the charter school has a positive net worth, whether it has enough cash and short-term assets to cover its obligations, and whether it is highly indebted relative to its peers.

Assets

Assets on the balance sheet should be listed from top to bottom by order of liquidity (i.e., how easy the asset can be converted to cash), and if applicable, further divided into current assets and noncurrent or long-term assets (i.e., based on how quickly the asset can be converted to cash). Below is the general order of asset accounts in a charter school balance sheet:

Current Assets

- Cash and cash equivalents – the amount on hand or in the bank.
- Accounts receivable – the amount a charter school is owed from other entities.
- Due from grantor governments – the amount a charter school is owed from federal or state governments.
- Stores/inventory – the value of supplies (e.g., food for cafeteria program) or other goods on hand and valued at the lower of cost or market price.
- Prepaid expenses – the value of expenses that have been paid for in advance, such as insurance.

Long-Term Assets

- Fixed assets – the value of land, land improvements, buildings, equipment, and work in progress.

Liabilities

Liabilities are the amounts the charter school owes to outside parties, including unpaid vendor bills, interest on bonds, salaries, vacation balances, and payroll taxes. Current liabilities are those that are due within one year, and long-term liabilities are due at any point after one year. Below are examples of common current and long-term liabilities reflected in a charter school balance sheet:

Current Liabilities

- Accounts payable – the amount a charter school owes to others for unpaid purchases. Charter schools may use locally defined accounts payable accounts to track current liabilities such as payroll withholdings and deductions.
- Due to grantor governments – the amount a charter school owes to federal or state governments.
- Current loans – the amount borrowed for a short period of time, such as with the sale of receivables.
- Unearned revenues – a liability for prepaid revenue, or resources received prior to revenue recognition.

Long-Term Liabilities

- Debt and loans payables – the amount the charter school owes to others for long-term borrowings, such as certificates of participation, capital leases, and lease revenue bonds.
- Compensated absences payable – the amount the charter owes to employees in accumulated unpaid benefits, such as vacation, that are paid to employees upon retirement or termination.

Equity

Equity, also known as net assets, is equivalent to the total assets of the charter school minus its liabilities. Charter school net assets should be identified as either without or with donor restrictions.

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates restrictions be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires (i.e., when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

Income Statement — Statement of Activities

The income statement, also known as the profit and loss statement, focuses on the charter school's revenues and expenses during a particular period (e.g., day, week, or year), and provides key evidence of how a charter school is performing compared to budgeted income and expenditures. A charter school's income statement provides valuable insight into various aspects of its operations, including the efficiency of its management to maximize resources and whether its financial performance is in line with peers.

Income

Income reflects the total amount of revenue earned through operating (e.g., state grant programs, federal entitlements) and nonoperating activities (e.g., interest earnings) over a specified period. Income is organized into the following classifications: 1) LCFF Sources, 2) Federal Revenue, 3) Other State Revenue, 4) Other Local Revenue, and 5) Other Financing Sources.

Expenses

Expenses reflect the total amount of purchases and expenditures recorded over a specified period. The state's SACS organizes expenditures into the following classifications: 1) Certificated Personnel Salaries, 2)

Classified (or Noncertificated) Personnel Salaries, 3) Employee Benefits, 4) Books and Supplies, 5) Services and Other Operating Expenditures, 6) Capital Outlay, 7) Other Outgo and 8) Other Financing Uses.

Increase/(Decrease) in Net Assets

The difference between the income and expenses for a specified period will result in an increase or decrease to the charter school's net assets (i.e., equity).

Cash Flow Statement

The cash flow statement measures how the charter school generates cash to fund its operating expenses, pay its debt obligations, and fund investments. The best practice is for a charter school to update its cash flow statement to reflect actuals to date monthly and include future projections for 12 to 18 months, depending on the strength of the charter school's cash position.

A cash flow statement includes the following detailed accounts for each reported month: actual or projected beginning cash balance, actual or projected receipts by funding source, actual or projected disbursements by expenditure category, actual or projected balance sheet account entries (e.g., accounts receivable receipts, accounts payable disbursements, and current loan payments or receipts), and actual or projected ending cash balance. The cash flow statement totals for the 12-month period corresponding to the applicable fiscal year should reconcile to the budgeted revenue and expenditure totals, and projected net position.

FCMAT's Projection-Pro software includes a cash flow projection tool based on best practices and statewide assumptions. The software is provided for use by all LEAs, including charter schools, at no cost on FCMAT's website at http://www.fcmat.org/projection-pro. Additional information on cash flow projections and cash management can be found in the cash management section of this manual.

Journal Entries and Reclassification Entries

Journal entries can directly affect the overall presentation of financial statements. To ensure the accuracy of the charter school's books and records, all journal entries and reclassification entries should be documented in detail and should be authorized in writing by the CFO or CFO's designee.

All general ledger entries, including audit adjusting entries, reclassification entries, and other such journal entries, should be supported by journal vouchers or other documentation, which should include a reasonable explanation of each entry. In general, do not use journal entries to record common transactions, such as customer billings or supplier invoices. Examples of such journal entries include:

- Recording of noncash transactions
- Corrections of posting errors
- Nonrecurring accruals of income and expenses
- Bank account transfers

Certain recurring journal entries occur in every accounting period. These may include, but are not limited to, the following:

- Accruals of recurring expenses
- Depreciation of fixed assets
- Amortization of prepaid expenses

- Amortization of deferred revenue

Detailed supporting documentation for recurring journal entries should be in the form of a schedule associated with the underlying asset or liability account, or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

The CFO or CFO's designee should authorize in writing, by initialing or signing, any journal entries that do not originate from subsidiary lenders.

Journal entries and supporting documentation should be retained for several years, at least until there is no longer a need to have the financial statements. The minimum duration period for the journal entries should be included in the charter school's board policies.

Standardized Account Code Structure (SACS)

The state's standardized account code structure (SACS) is a statewide, uniform financial reporting format used by all school districts, county offices of education, and certain joint powers agencies (JPAs). SACS is an account string containing seven numerically coded fields used in combination to classify revenues, expenditures, and balance sheet accounts. Detailed information on SACS can be found in the CSAM available on the CDE website at https://www.cde.ca.gov/fg/ac/sa/.

As noted in the CSAM, the state developed SACS to improve financial data collection, reporting, transmission, accuracy, and comparability; reduce the administrative burden on LEAs in preparing required financial reports; and ensure LEA compliance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). SACS, and its use, creates a logical framework to determine where education funds come from and how they are used, and provides better information for use by administrators, parents, board members, legislators and others interested in school finance.

Charter schools should consider SACS when developing their chart of accounts to facilitate financial compliance and year-end reporting to the state. At a minimum, the best practice for charters is to incorporate and use the resource and object classifications outlined in the CSAM. The resource code is used to classify revenues and resulting expenditures in accordance with restrictions or special reporting requirements placed on LEA financial activities by law or regulation. The object code classifies expenditures according to type of items purchased or services obtained, revenues by general source and type, and balance sheet accounts such as assets, liabilities, or fund balance/net position.

When the state or federal government creates a new funding source (one-time funds have been most common) the CDE will provide guidance on what resource and/or object code to use to track those dollars (e.g., in-person instruction, expanded learning opportunities, Elementary and Secondary School Emergency Relief – ESSER, etc.). Rather than creating its own unique codes, a charter school should wait for the CDE to announce the coding to eliminate the need for corrections later. Further guidance for LEAs in using SACS, including a resource code query, valid account code combination tables, frequently asked questions, and other information can also be found on CDE's website at https://www.cde.ca.gov/fg/ac/ac/.

SACS Software

The SACS software is used by school districts, county offices of education, and certain JPAs to prepare financial data such as budgets, interim reports, and year-end financial reports. The CDE maintains and releases updates to the SACS software twice a year. As the title suggests, the SACS software is designed to support the state's uniform financial reporting goals.

At the time of publication, the state has not mandated the software's use by charter schools. However, some authorizing agencies have required their charter schools use the SACS software to prepare budgets, interim reports, and unaudited actuals financial reports.

The SACS software and other helpful information regarding the SACS format is available for download from the CDE website at https://www.cde.ca.gov/fg/sf/fr/.

Charter School Alternative Form

Education Code Section 42100 requires charter schools to submit an annual statement of receipts and expenditures (i.e., unaudited actuals financial report) to the authorizing entity by September 15. The authorizing entity will then forward the data to their county office of education for submission to the state by October 15. For further information on unaudited actuals reporting requirements, please refer to the financial reporting section of this manual.

Charter schools that do not report in the SACS software must use the Alternative Form to prepare their annual unaudited actuals data submission for the CDE. The Alternative Form is currently available only as a downloadable Microsoft Excel spreadsheet. The Alternative Form requests financial information at a summarized level, using object codes from the CSAM that correspond to the required financial reporting categories. The data must be electronically submitted to the CDE via the applicable county office of education. The CDE will not accept hard copies of the data. In addition, the Alternative Form spreadsheet is protected to prevent modification and must be maintained in the format provided by the CDE.

Most charter schools use the Alternative Form to report their year-end unaudited actuals financial data. However, depending on the charter petition, MOU or agreement with the charter's authorizing agency, some charter schools use the SACS format. The CDE annually publishes the Charter School Alternative Form, a user guide, and other helpful information on reporting unaudited actuals on its website at https://www.cde.ca.gov/fg/sf/fr/csalternative.asp.

Unaudited Actuals – SACS or Alternative Format

Charter schools may report year-end financial data in either the SACS format or in the alternative format for charter schools approved by the State Board of Education – the Charter School Unaudited Actuals Financial Report – Alternative Form. Charter schools are encouraged to discuss these reporting options with their authorizing agencies and independent auditors before choosing a format. While some authorizing agencies may require the use of the SACS format, many charter schools opt for the alternative format.

The CDE School Fiscal Services Division provides charter schools with unaudited actual financial reporting guidelines. The School Fiscal Services Division website is located at http://www.cde.ca.gov/re/di/or/sfsd.asp. Further information on SACS, the Alternative Form, and year-end financial reporting is available in other sections of this manual.

California School Accounting Manual (CSAM)

The CSAM provides guidance on generally accepted accounting principles (GAAP) for all LEAs in California, as well as a detailed chart of account codes for reporting in both the SACS and alternative formats. Title 5, Section 15071 of the California Code of Regulations requires that charter schools follow the manual's guidelines to the extent applicable and for the reporting of financial data. Much of the guidance in the manual is relevant to charter schools, even those organized as not-for-profit public benefit corporations (specifically refer to CSAM's Procedure 810).

The CDE generally publishes an updated edition of the CSAM to its website every two years. The most recent CSAM is available on the CDE website at https://www.cde.ca.gov/fg/ac/sa/.

Alternative Form Account Codes – Object Classifications

For those charter schools using the Alternative Form, the CDE publishes a Charter School Alternative Form User Guide, which historically has included an excerpt from CSAM detailing account codes and definitions applicable to charter school financial reporting. The following comprehensive list is from the most recently published user guide as of the date of this manual's publication and includes more codes than most charter schools will use. Charter school administrators and business office staff are encouraged to review the definitions for these codes in the user guide.

For further instructions on the Alternative Form and detailed descriptions of the account codes listed below, please refer to the CSAM or the user guide available on the CDE website at https://www.cde.ca.gov/fg/sf/fr/csalternative.asp.

Code(s)	Title
8000–8999	**REVENUES AND OTHER FINANCING SOURCES**
8000–8799	**Revenues**
8010–8099	**LCFF Sources**
8010–8019	**Principal Apportionment**
8011	LCFF State Aid — Current Year
8012	Education Protection Account State Aid — Current Year
8019	LCFF State Aid — Prior Years
8090–8099	**LCFF Transfers**
8091	LCFF Transfers — Current Year
8096	Transfers to Charter Schools in-Lieu of Property Taxes
8097	Property Tax Transfers
8099	LCFF Transfers — Prior Years
8100–8299	**Federal Revenue**
8110	Maintenance and Operations (Federal Impact Aid, Public Law 81-874)
8181	Special Education—Entitlement
8182	Special Education—Discretionary Grants
8220	Child Nutrition Programs
8221	Donated Food Commodities
8260	Forest Reserve Funds
8270	Flood Control Funds
8280	U.S. Wildlife Reserve Funds
8281	FEMA
8285	Interagency Contracts Between LEAs

8287	Pass-Through Revenues from Federal Sources
8290	All Other Federal Revenue
8300–8599	**Other State Revenue**
8311	Other State Apportionments—Current Year
8319	Other State Apportionments—Prior Years
8520	Child Nutrition
8530	Child Development Apportionments
8545	School Facilities Apportionments
8550	Mandated Cost Reimbursements
8560	State Lottery Revenue
8587	Pass-Through Revenues from State Sources
8590	All Other State Revenue
8571-8579	**Tax Relief Subventions**
8571	Voted Indebtedness Levies, Homeowners' Exemptions
8572	Voted Indebtedness Levies, Other Subventions/In-Lieu Taxes
8575	Other Restricted Levies, Homeowners' Exemptions
8576	Other Restricted Levies, Other Subventions/In-Lieu Taxes
8600–8799	**Other Local Revenue**
8650	Leases and Rentals
8660	Interest
8662	Net Increase (Decrease) in the Fair Value of Investments
8610–8629	**County and District Taxes**
8611	Voted Indebtedness Levies, Secured Roll
8612	Voted Indebtedness Levies, Unsecured Roll
8613	Voted Indebtedness Levies, Prior Years' Taxes
8614	Voted Indebtedness Levies, Supplemental Taxes
8615	Other Restricted Levies, Secured Roll
8616	Other Restricted Levies, Unsecured Roll
8617	Other Restricted Levies, Prior Years' Taxes
8618	Other Restricted Levies, Supplemental Taxes
8621	Parcel Taxes
8622	Other Non-Ad Valorem Taxes
8625	Community Redevelopment Funds Not Subject to LCFF Deduction
8629	Penalties and Interest from Delinquent Non-LCFF Taxes
8631-8639	**Sales**
8631	Sales of Equipment and Supplies
8632	Sale of Publications

8634	Food Services Sales
8639	All Other Sales
8670-8689	**Fees and Contracts**
8671	Adult Education Fees
8672	Nonresident Student Fees
8673	Child Development Parent Fees
8674	In-District Premiums/Contributions
8675	Transportation Fees from Individuals
8677	Interagency Services Between LEAs
8681	Mitigation/Developer Fees
8689	All Other Fees and Contracts
8690-8719	**Other Local Revenue**
8691	Miscellaneous Funds Non-LCFF (50 Percent) Adjustment
8697	Pass-Through Revenue from Local Sources
8699	All Other Local Revenue
8710	Tuition
8780-8799	**Other Transfers In**
8781	All Other Transfers from Districts or Charter Schools
8782	All Other Transfers from County Offices
8783	All Other Transfers from JPAs
8791	Transfers of Apportionments from Districts or Charter Schools
8792	Transfers of Apportionments from County Offices
8793	Transfers of Apportionments from JPAs
8799	Other Transfers In from All Others
8900–8999	**Other Financing Sources**
8930–8979	**All Other Financing Sources**
8931	Emergency Apportionments
8951	Proceeds from Sale of Bonds
8953	Proceeds from Disposal of Capital Assets
8961	County School Building Aid
8965	Transfers from Funds of Lapsed/Reorganized LEAs
8971	Proceeds from Certificates of Participation
8972	Proceeds from Capital Leases
8973	Proceeds from Lease Revenue Bonds
8979	All Other Financing Sources

8980–8999	**Contributions**
8980	Contributions from Unrestricted Revenues
8990	Contributions from Restricted Revenues
1000–7999	**EXPENDITURES AND OTHER FINANCING USES**
1000–7499	**Expenditures**
1000–1999	**Certificated Personnel Salaries**
1100	Certificated Teachers' Salaries
1200	Certificated Pupil Support Salaries
1300	Certificated Supervisors' and Administrators' Salaries
1900	Other Certificated Salaries
2000–2999	**Noncertificated Personnel Salaries**
2100	Noncertificated Instructional Salaries
2200	Noncertificated Support Salaries
2300	Noncertificated Supervisors' and Administrators' Salaries
2400	Clerical, Technical, and Office Staff Salaries
2900	Other Noncertificated Salaries
3000–3999	**Employee Benefits** (Codes ending in 1 indicate benefits paid to personnel in certificated positions, and codes ending in 2 those paid to personnel in noncertificated positions)
3101-3102	State Teachers' Retirement System
3201-3202	Public Employees' Retirement System
3301-3302	OASDI/Medicare/Alternative
3401-3402	Health and Welfare Benefits
3501-3502	State Unemployment Insurance
3601-3602	Workers' Compensation Insurance
3701-3702	OPEB, Allocated
3751-3752	OPEB, Active Employees
3901-3902	Other Employee Benefits
4000–4999	**Books and Supplies** (Includes costs of sales or use tax, freight, and handling charges)
4100	Approved Textbooks and Core Curricula Materials
4200	Books and Other Reference Materials
4300	Materials and Supplies
4400	Noncapitalized Equipment
4700	Food

5000–5999	**Services and Other Operating Expenditures**
5100	Subagreements for Services
5200	Travel and Conferences
5300	Dues and Memberships
5400	Insurance
5500	Operations and Housekeeping Services
5600	Rentals, Leases, Repairs, and Noncapitalized Improvements
5700-5799	Transfers of Direct Costs
5710	Transfers of Direct Costs
5750	Transfers of Direct Costs-Interfund
5800	Professional/Consulting Services and Operating Expenditures
5900	Communications
6000–6999	**Capital Outlay**
	(Object codes 6100-6500 are not used for accrual basis of accounting in which capital assets are recorded in object codes 9400-9499 and subsequently depreciated using object code 6900)
6100	Land
6170	Land Improvements
6200	Buildings and Improvements of Buildings
6300	Books and Media for New or Major Expansion of School Libraries
6400	Equipment
6500	Equipment Replacement
6900	Depreciation Expense (for accrual basis of accounting only)
7000–7499	**Other Outgo**
7100–7199	**Tuition**
7110	Tuition to Other Schools
7130	State Special Schools
7141	Other Tuition, Excess Costs, and/or Deficit Payments to Districts or Charter Schools
7142	Other Tuition, Excess Costs, and/or Deficit Payments to County Offices
7143	Other Tuition, Excess Costs, and/or Deficit Payments to JPAs
7200–7299	**Interagency Transfers Out**
7211	Transfers of Pass-Through Revenues to Districts or Charter Schools
7212	Transfers of Pass-Through Revenues to County Offices
7213	Transfers of Pass-Through Revenues to JPAs
7221	Transfers of Apportionments to Districts or Charter Schools
7222	Transfers of Apportionments to County Offices
7223	Transfers of Apportionments to JPAs

7281	All Other Transfers to Districts or Charter Schools
7282	All Other Transfers to County Offices
7283	All Other Transfers to JPAs
7299	All Other Transfers Out to All Others
7300–7399	**Transfers of Indirect Costs**
7310	Transfers of Indirect Costs
7350	Transfers of Indirect Costs — Interfund
7430–7439	**Debt Service**
7438	Debt Service — Interest
7439	Other Debt Service — Principal
7630–7699	**All Other Financing Uses**
7651	Transfers of Funds from Lapsed/Reorganized LEAs
7699	All Other Financing Uses
9000–9999	**BALANCE SHEET**
9100–9499	**Assets and Deferred Outflows of Resources**
9100–9489	**Assets**
9110	Cash in County Treasury
9111	Fair Value Adjustment to Cash in County Treasury
9120	Cash in Bank(s)
9130	Revolving Cash Account
9135	Cash with a Fiscal Agent/Trustee
9140	Cash Collections Awaiting Deposit
9150	Investments
9200	Accounts Receivable
9290	Due from Grantor Governments
9320	Stores
9330	Prepaid Expenditures (Expenses)
9340	Other Current Assets
9400–9489	**Capital Assets (for accrual basis of accounting only)**
9410	Land
9420	Land Improvements
9425	Accumulated Depreciation—Land Improvements
9430	Buildings
9435	Accumulated Depreciation—Buildings
9440	Equipment
9445	Accumulated Depreciation—Equipment

9450	Work in Progress
9490–9499	**Deferred Outflows of Resources**
9490	Deferred Outflows of Resources
9500–9699	**Liabilities and Deferred Inflows of Resources**
9500–9689	**Liabilities**
9500	Accounts Payable (Current Liabilities)
9501-9589	Accounts Payable-Locally Defined
9590	Due to Grantor Governments
9640	Current Loans
9650	Unearned Revenue
9660–9669	**Long-Term Liabilities (for accrual basis of accounting only)**
9661	General Obligation Bonds Payable
9662	State School Building Loans Payable
9663	Net Pension Liability
9664	Net OPEB Obligation
9665	Compensated Absences Payable
9666	Certificates of Participation (COPs) Payable
9667	Capital Leases Payable
9668	Lease Revenue Bonds Payable
9669	Other General Long-Term Debt
9690–9699	**Deferred Inflows of Resources**
9690	Deferred Inflows of Resources
9700–9799	**Fund Balance/Net Position (for accrual basis of accounting only)**
9710–9719	**Fund Balance, Nonspendable**
9711	Nonspendable Revolving Cash
9712	Nonspendable Stores
9713	Nonspendable Prepaid Items
9719	All Other Nonspendable Assets
9740–9749	**Fund Balance, Restricted**
9740	Restricted Balance
9750–9769	**Fund Balance, Committed**
9750	Stabilization Arrangements
9760	Other Commitments
9770–9788	**Fund Balance, Assigned**
9780	Other Assignments

9789–9799	**Fund Balance, Unassigned**
9789	Reserve for Economic Uncertainties
9790	Unassigned/Unappropriated
9791	Beginning Fund Balance
9793	Audit Adjustments
9795	Other Restatements
9790–9797	**Net Position (for accrual basis of accounting only)**
9796	Net Investment in Capital Assets
9797	Restricted Net Position
9790	Unrestricted Net Position

Accounting Policies and Procedures

Charter school management should ensure the school establishes, maintains, and follows accounting policies and procedures for processing all financial transactions.

Accounting policies and procedures are under the direction of the charter school's CEO. The CEO may delegate oversight of financial operations and accounting policies and procedures to the CFO. The CFO may in turn delegate certain responsibilities to a designee, such as a business manager, human resources manager, purchasing manager, maintenance and operations manager, facilities manager, or other individual or combination of individuals the CFO considers necessary to adequately monitor and administer the charter school's policies and procedures.

Accounting policies and procedures should describe in detail their purpose, responsible parties, and step-by-step procedures, including sample forms. Procedures may include samples of source documents; authorization forms; detailed descriptions of how to perform a transaction or complete a task; and information on authorized signatures needed. All business office staff members should have a desk manual outlining detailed day-to-day procedures associated with their position's responsibilities. Desk manuals serve as a resource for cross-training and provide written documentation to support the charter school's internal control system.

Fiscal Policies and Procedures Manual

The best practice is for the charter school to develop a written Fiscal Policies and Procedures Manual to distribute broadly for use by all charter school staff members. This manual should be reviewed annually and presented to the governing board for approval when revisions are necessary. The table on the next page includes suggested topics to include in a complete, detailed, and comprehensive manual.

Fiscal Policies and Procedures Manual – Suggested Topics				
General and Administrative	**Cash**	**Fixed Assets**	**Revenue**	**Purchasing and Expenditures**
• Chart of accounts • Budget development and monitoring • School site accounting • Professional development • Travel and conference • Types of management reports (budget, balance sheet/ statement of financial position, statement of activities, statement of cash flows) • Financial and tax reporting • Files and records management • Document control • Electronic signatures • Electronic backup of data • Cyber security • Confidential information • Political intervention • Maintenance requests • Fraud prevention and reporting • Debt management policy	• Cash receipts and deposits • Petty cash boxes • Revolving funds • Wire transfers • Check signing authority • Problem checks issues • Bank account reconciliation • Inter-account bank transfers • Journal and reclassification entries • Petty cash purchases • Credit and debit cards • Intercompany receivables and payables • Required financial reserves	• Fixed asset control and capital leases • Capitalization and depreciation • Long-term debt policy	• Collecting and recording cash receipts • Invoicing and accounts receivable • Progress billing • Account collections • Uncollectable accounts • Recognition of grant revenue and contributions • Gifts-in-kind • In-lieu property taxes • Use of restricted funds • Gifts of public funds	• General purchasing guidelines • Vendor selection • Issuance of contracts and public contract code requirements • Receiving and inspection of goods and materials • Accounts payable and cash disbursements • Prepaid expenses • Accrued liabilities • Notes payable • Employee reimbursements and travel

Electronic Backup of Accounting Data

All electronic accounting data should be backed up daily, and all backups should include accounting data in accounting programs, accounting data managed or processed by back-office service providers or external bookkeepers, and all other accounting-related files.

Backups should be made to both an internal computer server and external cloud-based backup service. Every effort should be made to secure sensitive personal information contained within this data.

Cash Management

Cash Flow Projections

Charter schools must ensure cash flow projections are timely and accurate, know the amount and when cash is needed, and know the internal and external borrowing options available along with any costs and requirements for each one. Timing is everything with cash flow projections; charters should consult CDE estimated cash flow amounts, arrange for hand delivery/pick up of large checks, set up direct deposit with authorizer (if possible), and know the apportionment schedule and associated deferrals.

When projecting cash flow, it is important to know:

- What attendance metric drives your revenue?
- What revenue is monthly, quarterly, or more variable?
- What happened in prior years regarding the timing of payments?
- What costs are fixed monthly, and which vary?
- What is the timing of payables and receivables and how does it affect cash flow?

Cash flow projections provide a summary of the cash flowing through the charter school in the near term and help identify any potential shortfall before it occurs. The projection supplements the detailed monthly and quarterly financial statement reports and provides a quick look at the charter school's cash performance. The cash flow projection should include projected operating cash balances as well as estimated cash receipts and projected disbursements. Aging accounts receivable and accounts payable reports should accompany the cash flow report. A cash flow statement may include actuals through a specified period and projections incoming/outgoing for a future period and are not necessarily tied strictly to fiscal years. The best practice is to create a cash flow that covers at least 18 months.

As stated earlier, FCMAT's Projection-Pro software includes a cash flow projection tool based on best practices and statewide assumptions. The software is provided for use by all LEAs, including charter schools, at no cost on FCMAT's website at http://www.fcmat.org/projection-pro.

Best practice is to reconcile accounting actuals to cash flow projections monthly. Newly established charter schools may experience disconnects between their accounting systems and their financial projections, which usually live in Excel. Financial projections are often designed to set organization budgets, share with philanthropists, or raise money from financial institutions, not for the express purpose of real-time cash management. Predictably, the spreadsheets are not natively designed to forecast monthly cash, nor are they pulling in accounting actuals in any type of automated way.

The most common errors when developing cash flow projections are as follows:

- Not balancing cash flow projections to projected budget

- Not including the impact of accruals or other balance sheet accounts
- Not recognizing when cash is negative
- Inaccurate revenue projections by month
- Not understanding the difference between fund balance and cash

Net position (fund balance) can be negative, but cash cannot. The net position is the net worth or equity of the charter. This is measured by its total assets (all that the charter owns that has a monetary value and enhances its worth) minus its total liabilities (all that the charter owes in debts and obligations). In other words, it is the net amount of money the charter has accumulated over its lifetime (the sum of each year's operating income since inception). The net position is a good indication of the long-term financial health of a school. Similar sounding, but distinct, is the cash balance: the amount of cash the charter has in the bank at a given time. Keep in mind that net position will likely not equal cash balance, because the net position represents all assets, not just cash. Assets include cash and any receivables, or land and equipment that is being depreciated. When examining a cash flow statement, the projected cash balances indicate whether your charter can meet its obligations on time. If that balance is positive, you will be able to pay your bills and employees on time; if it is negative, you will not, and will need to find a way to manage those shortfalls through negotiating with vendors or borrowing money.

When analyzing cash flow projections, if the cash flow projection for the LEA shows negative for any period (month, week, or day), spending decisions should be determined more by short-term obligations than annual budget considerations. If cash balances are healthy, however, assessing cash flow is not as imperative to the overall approach to budgeting. Given the nature of the timing for charter schools' revenues and expenses, even a positive operating income and fund balance can sometimes lead to cash shortfalls. Charter schools should prepare a cash flow projection for at least 18 months, preferably longer, with accompanying detailed notes and assumptions for all cash flow and accrual line items for each year of the projection.

As the LCFF funding calculation is integral to the budget development process, calculating the sources of LCFF funding is integral to the cash flow process. The sources of LCFF funding are state aid apportionment funding (principal apportionment), EPA funding, and local property tax dollars transferred from authorizing school districts. The source determines the frequency of the payment. See Chapter 4 under LCFF Funding Sources for more information.

The state aid portion of LCFF funding has the payment schedule shown on the following page:

Principal Apportionment Payment Calculation (before deferrals)		
Month	**Amount Monthly Payment is Calculated On**	**EC Section 14041(a)(2)[1] Type 1**
July	Advance Apportionment Total	5%
August	Advance Apportionment Total	5%
September	Advance Apportionment Total	9%
October	Advance Apportionment Total	9%
November	Advance Apportionment Total	9%
December	Advance Apportionment Total	9%
January	Advance Apportionment Total	9%
February	Balance due - difference between P-1 and payments through January	20% or 1/5 of balance due
March	Balance due - difference between P-1 and payments through January	20% or 1/5 of balance due
April	Balance due - difference between P-1 and payments through January	20% or 1/5 of balance due
May	Balance due - difference between P-1 and payments through January	20% or 1/5 of balance due
June	Balance due - difference between P-1 and payments through May	Balance due

Principal Apportionment Payment Schedule - Principal Apportionment (CA Dept of Education)

EPA funds are allocated quarterly in September, December, March and June of each year. The EPA proportionate share ratios can be found on the CDE's Funding Rates and Information webpage. See Chapter 4 – Charter School Funding section of this manual for further information on the EPA.

Payment of in-lieu of property taxes from the sponsoring LEA to the charter school is made according to EC Section 47635(b) in the amounts outlined in the table below. See more on this under Chapter 4 – Charter School Funding for further information on the in-lieu of property taxes payments.

Month	Based on In-Lieu of Property Taxes From[1]	Payment Amount
August	Prior fiscal year P-2	6%
September	Prior fiscal year P-2	12%
October	Prior fiscal year P-2	8%
November	Prior fiscal year P-2	8%
December	Prior fiscal year P-2	8%
January	Prior fiscal year P-2	8%
February	Prior fiscal year P-2	8%
March	Current year P-1 less paid to date	2/6th balance due
April	Current year P-1 less paid to date	1/6th balance due
May	Current year P-1 less paid to date	1/6th balance due

Month	Based on In-Lieu of Property Taxes From[1]	Payment Amount
June	Current year P-1 less paid to date	1/6th balance due
July	Current year P-2 less paid to date	Remaining balance as of P-2[2]

1. The payment schedule shown here is for continuing charter schools. The in-lieu of property taxes payment schedule is different for newly operational charter schools and for the in-lieu of property taxes associated with the expanding charter schools that received funding through the Charter School Special Advance apportionments. Please refer to Charter School Special Advance apportionment certification documents for more information.

2. Pursuant to EC Section 47635(b)(4), in-lieu of property taxes are final as of the third annual recertification of the fiscal year's LCFF data. Charter schools and school districts should continue to monitor for changes to in-lieu of property taxes at each certification until that point.

Restricted funds such as federal, state or local grants or receipt of local parcel taxes may also influence cash flow and each source should be reviewed for timing and frequency. Public funds are frequently paid based on the prior year's student enrollment, so a growing charter school must "front the cash" for new students until funding catches up. School building projects can require large cash payments for predevelopment costs, equity, tenant improvements, etc. Charter schools should be prepared for unforeseen challenges such as revenue cuts, funding delays, and adverse changes to funding formulas.

Nonclassroom-Based, New and Expanding Charter Schools

Cash flow can be especially challenging for new or expanding charter schools. Estimates and actual reporting are submitted to the CDE using the PENSEC report available on the CDE's website: https://www.cde.ca.gov/fg/aa/pa/csfunding.asp#PENSEC. Charter schools may experience a negative impact on cash if they fail to request advanced funding and file the PENSEC report within the required timeframe. See Chapter 4 under Charter School Funding section of this manual for further information on the PENSEC.

For nonclassroom-based charter schools to receive apportionment for nonclassroom-based instruction the SBE must take formal action on a determination of funding. If the determination is not received by the charter school, it will lose some or all state funding for its nonclassroom-based ADA. Nonclassroom-Based Determination of Funding - Charter Schools (CA Dept of Education). See more on this under Chapter 4 of the Charter School Funding section of this manual for further information on funding determinations.

Cash Reserves

Cash reserves are needed to manage cash flow and avoid costly borrowing options. FCMAT recommends that charter schools adopt a minimum cash reserve of 5% of the total of all budgeted expenditures and develop a five-year plan to increase that reserve from at least 5% to 10% of total budgeted expenditures. Given the nature of the timing for charter schools' revenues and expenses, even a positive operating income and fund balance (net position) can sometimes lead to cash shortfalls. The higher the cash reserve, the less costly borrowing will be for the charter school.

Borrowing

Each charter is responsible for evaluating whether borrowing is the right solution for them. Best practice is that the charter is able to pay back the borrowing within a year (or following other terms of agreement).

Possible external borrowing sources include:

- The authorizing entity
- A related organization
- Private marketplace (banks, line of credit)

- California School Finance Authority's *Advances on State Aid Payments (ASAP)* program
- Factoring receivables

Cash Receipts and Deposits

Cash Receipts

Any time cash or a check is received, whether at the business office, a school site, fundraising events or other locations, every effort should be made to issue a cash receipt from a receipt book. Cash receipts are not required for payments received on an account invoiced from and owed to the charter school.

The individual who issues a cash receipt should always verify that all the correct documents and information are provided to support the transaction.

The following are required to issue a cash receipt:

- A prenumbered triplicate cash receipt book.
- Photocopies of any checks received.
- A completed receipt in the triplicate cash receipt book. The original receipt is given to the payee who provided the payment, the yellow or first copy accompanies the cash count form and deposit documents, and the pink or second copy remains in the receipt book.

The charter school should be committed to establishing and maintaining strong internal controls around the cash receipts process to prevent the mishandling of funds and safeguarding funds received. Strong internal controls also protect employees by defining crosschecking roles. Departments responsible for handling checks and cash must maintain written procedures outlining each step in the process. The procedures should be reviewed at least annually to ensure that the procedure is accurate and current. See the Internal Controls and Fraud section in Chapter 7 of this manual for more information on internal controls and segregation of duties.

Cash receipts usually come from the following:

- Contracts, loans and grants
- Donor contributions
- Fundraising activities

Cash Receipts Procedures

The charter school secretary or other designated employee should receive, open, date stamp, and distribute all incoming mail. As cash receipts are received, such as checks, money orders, or cashier's checks, they should be forwarded to the business office. The accountant or other staff member responsible for cash receipts should stamp all checks with a restrictive endorsement and retain an image of each check (both sides).

A restrictive endorsement includes all the following:

- A stamp stating, "For Deposit Only."
- The charter school's designated bank account number.
- The name of the charter school.

- The bank's name.

Anyone who wishes to pay the charter school in cash for any service, fundraiser donation or other reason should be directed to the business office, which should issue a receipt and record the received amount in a cash receipts log when received. At the end of each day, the cash receipts log amounts should be matched to the individual receipts accompanying the cash, and to the cash count. The count should be performed and confirmed by two people (also known as witnesses), one of whom may be the individual who collected the cash.

A receipt is given to the person remitting the funds, one copy stays with the cash and is attached to the cash collection documentation (cash receipts log), and one copy remains in the receipt book. Both witnesses should sign the receipt log, indicating that they counted the funds together. All funds received should be kept in a locked, fireproof safe that is bolted securely to the ground with restricted access until ready for deposit. The receipt book should be kept separate from the cash and collection documents.

Deposits

Bank deposits should be made regularly, at least weekly. A procedure should be in place regarding how often they should be made. For example, if amounts collected during a week total less than $500, the rule could be that the deposit should be made on the last business day of that week; when amounts collected on any day exceed $500 in total, the rule could be that the deposit is made on that day. Funds should not be held over a long holiday.

The business department accountant does the following:

- Processes the endorsed checks.
- Maintains the deposit log.
- Ensures the correct account allocation for each deposit.
- Takes the deposit to the bank, accompanied by a witness whenever possible. If individuals other than the accountant will take the deposit to the bank, ensure that the charter school's insurance covers those individuals.

A copy of the deposit slip should be attached to the deposit, and both should be attached to and filed with the monthly bank statement.

At the time of deposit, all cash and checks should be collected, and a bank deposit slip prepared. The business department should be certain that the cash receipts are deposited into the correct bank account and that the name of the charter school is listed on the deposit slip.

Extreme care should be taken to ensure the safety of the individuals who make the deposit and the deposit itself. Precautions include making deposits only during daylight hours, using random deposit times and different routes to the bank, and assigning two people to make deposits. If a charter school has regular, large cash collections they should consider an armored guard service to transport deposits to the bank.

At no time should the "less funds returned" section of a bank deposit slip be used; the entire amount should always be deposited without any cash returned or withheld. Similarly, no disbursements should be made from any cash collections.

School Site Cash Receipts

If any funds are remitted at a charter school site away from the central business office, the school secretary should follow the receipting and handling procedures described above, including keeping the funds in a

locked, fireproof safe that is bolted securely to the ground in a secure location until the funds can be taken to the charter school's business office. This means the cash receipts should be counted by two people at the school, then taken by one person to the business office, where they are counted, confirmed and receipted by the person from the school and the business office person. Charter schools should ensure that site staff are trained in the appropriate procedures.

Returned Checks and Improper Checks

The charter school should attempt to deposit returned checks a second time; if the check does not clear on the second attempt, the payment should be returned to the vendor and the general ledger account to which it was applied adjusted. No check should be withheld from the deposit unless it is legally imperfect (e.g., no maker signature), in which case the business department should immediately contact the payer and discuss the best method to remedy the imperfect check.

A charter school should never cash personal checks.

Wire Transfers

Wire transfers are a fast, secure and confidential way to receive funds and to pay customers and vendors quickly.

Incoming wire transfers require the same documentation procedures as cash receipts and deposits. When the charter school's bank receives a wire transfer, it may notify the charter school by email, fax, or via its online banking site. This notification documents that the money has been received.

Only the CFO or CFO's designee should be permitted to initiate an outgoing wire transfer. All outgoing wire transfers should be performed using the bank's secure website and should include the CEO or CEO's designee as the secondary approver. Outgoing wire transfers should not be issued unless the secondary approver logs on to the bank's secure website and approves the transfer electronically.

All outgoing wire transfers should be made from the charter school's primary checking account or from an account designated for outgoing wire transfers. Any outgoing wire transfer that exceeds $5,000 should require governing board approval.

Petty Cash

Charter schools often maintain petty cash accounts and use of these funds is commonly approved for small incidental, nonrecurring cash advances and emergency purchases, usually costing $50 or less. The initial petty cash fund and amount should be approved by the governing board and should be minimal (e.g., limited to $250-500) to discourage frequent use and replenishment. The petty cash fund should be maintained in a locked, fireproof safe that is bolted securely to the ground in a secure location at each school or business office by a designated petty cash custodian; this can be the principal, the office manager, or other designee.

When presented with a request for petty cash, the petty cash custodian should verify whether the item to be purchased is available in the organization's stock of supplies. If it is not, the designated cash custodian can initiate a petty cash disbursement by doing the following:

- Prepare a petty cash reimbursement request form.
- Assign a budget account number based on the type of expenditure to record the expenditure amount in the financial system.
- Approve the request for petty cash expenditure and ensure that the transaction is complete.

- When the purchase is completed, the designated cash custodian should verify that all receipts or other proofs of purchase agree with the total petty cash advanced. Any leftover cash, and the petty cash reimbursement request form, should be returned to the petty cash custodian.
- Maintain and update the petty cash reconciliation form to keep a reconciled running petty cash balance.

Whenever the petty cash balance falls below an established amount, such as $20, it should be replenished. An expenditure summary and accompanying transaction documents should be forwarded to the business office. Once these are verified and reconciled, a replenishing check is issued to the petty cash custodian for any outstanding purchases. The petty cash custodian cashes the check and replenishes the petty cash.

To download a Microsoft Word version of the petty cash reconciliation form, click here.

To download a Microsoft Word version of the petty cash reimbursement form, click here.

Cash Boxes

A portable cash box issued by the business office may be used to collect money at fundraising activities, ticket sales and other events or activities.

Individuals who collect cash for fundraisers and activities for which a cash box is issued should safeguard the cash properly. Once all cash has been collected, it should be recorded on a cash count form. Two individuals should count the cash together, and both should sign and date the cash count form and remit the funds to the school principal or business office. Every effort should be made to turn in the cash the same day as the fundraiser or activity. Any funds collected but not turned in to the business office for the final counting and deposit to the bank should never be taken home or left in any unprotected environment. Instead, they should be sealed in a tamper-proof plastic bank bag and placed in a locked, fireproof safe that is bolted securely to the ground on the charter school premises.

When the principal or the business office receives the cash box funds, the funds should be counted again by the principal or business office staff member and a witness, and each should sign the cash count form as verification of their confirmation. The cash and the verified cash count form should be placed in a tamper-proof plastic bank bag and secured in a locked, fireproof safe that is bolted securely to the ground until the cash is remitted to the business office for deposit.

Cash box proceeds should be controlled and processed in the same manner as other cash receipts. If the cash balance at the end of day exceeds $500, a bank deposit should be made the same day. Otherwise, all bank deposits should be made by the last business day of the week. No funds should be left in the cash box.

A sample cash count form can be downloaded in Microsoft Word format by clicking here.

Revenues, Receivables and Restricted Funds

Accounts Receivable, Invoicing, and Receivable Accruals

Invoicing is the process of billing for services, fees or other charges, such as reimbursements for services or costs, federal, state, and local grants, lost book charges, or school meal account reimbursements. When an invoice is prepared, the accounting process records an account receivable for the amount billed, in the name of the person or organization being billed. Timely preparation and distribution of invoices is important because it helps recapture costs and improve cash flow.

Preparing Invoices

Electronic accounting systems can typically generate invoices in many formats, but they should all be numbered sequentially, and the business office should approve each invoice before it is sent to the customer.

If the charter school does not use an electronic accounting system, or if it uses one that lacks an invoice module that tracks invoices electronically, staff should keep a printed copy of each invoice in a file so outstanding invoices can be tracked.

Each invoice should describe clearly and in detail the services and charges, date, invoice number, type of service or item, quantity, rate, class or program code, price and extended amounts, and the customer's billing address.

Progress Billing

Progress billing is billing for a portion of labor and materials up to a certain point in time before a project is fully completed. Projects and programs that should be progress billed consistently include federal, state, and local grants and contracts, and services and projects provided by the organization. Billing monthly or incrementally as work or a service is performed helps maximize cash flow and ensure that grant and contract funding terms are met.

Progress billing should be reconciled monthly with the contract or service agreement to ensure it is accurate, and should be supported by detailed documentation such as employee timecards charged to the contract or service agreement. The business office should ensure that all fees, costs and services are billed for completely and accounted for in each contract.

Receivable Accruals

Receivable accruals may be prepared as needed and authorized by the CFO. Receivable accruals are those amounts that are reasonably known and quantifiable. The charter school should require fiscal year-end receivable accruals to be quantified and recorded no later than allows for the preparation of financial statements.

Grant and Donation Revenue

All major types of revenue (e.g., grants, donations, state apportionment, and special education revenue) should be recognized and accounted for separately. This is particularly important for donations, grants and state funding because these revenue types often have statutory requirements or other restrictions.

Donations and grants may include donor-imposed or contractual requirements or conditions that must be met before the revenue can be recognized or earned. All such requirements or conditions should be monitored to ensure the requirements are met. Any revenue that has not met the requirements or conditions should be considered a liability and is often categorized as unearned revenue.

Recognizing Grant and Donation Revenue

Grant income is recognized as income when it is received. Charter school-related grants are usually awarded on a cost-reimbursement basis or as advances against services to be performed. Revenue is based either on allowable costs incurred, such as with cost reimbursement awards, or on other terms of the award such as a fixed price or unit of service. The types of grant income charter schools usually receive are education payments, and federal, state and local grants and contracts with various compliance requirements.

At fiscal year end, grant income that has been incurred but not yet received should be accrued to comply with generally accepted accounting principles (GAAP).

Donations should be recognized as income when received, unless accompanied by restrictions or conditions.

Accounting for Donations

The charter school should recognize donation income in the period in which the contribution is received unless it is restricted. Donation income should be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on whether the donation has any restrictions.

Unconditional and Conditional Promises to Give

Unconditional promises to give should be recorded as assets, such as a receivable. When the promise is received, contribution revenue is recognized and is considered a temporarily restricted net asset. Unconditional promises to give that are to be collected within one year should be recorded at the promise's face value, less any reserve for uncollectable promises, as estimated by the CFO.

Unconditional promises to give that are collectible over more than one year should be recorded at their discounted net present value. The interest rate used when calculating net present value of an unconditional promise to give should be the risk-free rate of return available to the charter school when the promise was received.

When all restrictions associated with a donated asset have been met, the business office should record a change in classification of the asset from temporarily restricted to unrestricted net assets.

Conditional promises to give are donations that the donor will give to the charter school only when certain conditions are met. Conditional promises should not be recorded in the accounting records until all conditions are met. If the charter school receives a donation under conditional promises, the money or asset received is subject to being returned to the donor until the condition is met or until the donor waives it.

If a charter school has unconditional or conditional promises to give, it should work closely with its auditor to ensure proper accounting.

Volunteer Labor

The service of volunteers is a donation of time, and its value should be recorded as donation income and increased value of assets. This is the case when the services (donated time) create or improve a nonfinancial asset, such as a roof replacement. In such cases, the charter school should recognize revenue as the value of the hours donated and as the change in fair value of the improved asset.

Volunteer labor should be recognized in the accounting records if one or both of the following criteria are met:

- The donated service creates or improves a nonfinancial asset (such as a building or equipment).
- The donated service possesses all three of the following characteristics:
  - It is a type of service that the charter school would typically need to purchase if it had not been donated.
  - It requires specialized skills (i.e., formal training in a trade or profession).
  - It is provided by an individual who possesses those specialized skills.

Donated services that meet one or both of the two preceding criteria should be recorded at the fair market value of the service rendered.

Donated services should be recognized in the charter school's accounting records. For example, if a roof needs repair and the fair value estimate for that repair is $3,000, the accounting records should recognize in-kind donation revenue of $3,000 and a repair and maintenance expense of $3,000. When a donor donates time and services, there is no tax deduction for the donor (IRS Publication 526, Charitable Contributions, lists "the value of your time or services" as a type of contribution individuals cannot deduct).

Receipts and Disclosures

When donations are received, a donation receipt and/or an acknowledgment letter should be provided to the donor. IRS Publication 1771, Charitable Contributions: Substantiation and Disclosure Requirements, is available at https://www.irs.gov/pub/irs-pdf/p1771.pdf. The rules referenced in this publication do not apply to a donated motor vehicle, boat or airplane if the vessel claimed value exceeds $500. For information on vehicle donations, see IRS Publication 4302, A Charity's Guide to Vehicle Donations, and IRS Publication 4303, A Donor's Guide to Vehicle Donations.

Donors are responsible for making sure they have a written acknowledgment for any single contribution of $250 or more. There is no legal requirement to acknowledge single contributions of less than $250 unless the donor receives something of value in return for the gift, in which case special rules for quid pro quo apply.

The IRS (see https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contributions-quid-pro-quo-contributions) describes and defines a quid pro quo donation as follows:

> … a payment a donor makes to a charity partly as a contribution and partly for goods or services. For example, if a donor gives a charity $100 and receives a concert ticket valued at $40, the donor has made a quid pro quo contribution. In this example, the charitable contribution part of the payment is $60. Even though the deductible part of the payment is not more than $75, a disclosure statement … must be provided by the organization to the donor because the donor's payment (quid pro quo contribution) is more than $75.

The charter school and its donors are subject to certain disclosure and reporting requirements in the Internal Revenue Code and its underlying regulations. To comply with those rules, the charter school should adhere to the following guidelines for donations.

Donation Receipt

For every contribution it receives, whether cash or goods, the charter should provide a receipt to the donor. The business office or school principal should prepare the receipt and present it to the governing board for acceptance before depositing any donated funds or using any donated items.

The donation receipt should contain as much information as possible to identify the donor and the donated cash, merchandise or services. The charter school should not attempt to assign any cash value to property; this is the donor's responsibility.

A sample donation receipt can be downloaded in Microsoft Word format by clicking here.

Donation Acknowledgment Letter

All donations should be acknowledged with a donation acknowledgment letter. This is the preferred method for accepting a donation because it is more formal and better conveys gratitude.

A sample acknowledgment letter can be downloaded in Microsoft Word format by clicking here.

In-Kind Donation or Gift Receipt

In-kind donations can be stocks, vehicles, art, or other assets. Most charter schools are 501(c)(3) nonprofit organizations, and the law does not allow such organizations to provide a donor with the estimated dollar value of an in-kind gift. Valuations of in-kind donations are the responsibility of the donor, and donors should have their donated items professionally assessed and certified by a professional to obtain an accurate fair market value. Donors will need to provide this certification to their tax preparer to ensure compliance with IRS regulations.

In-kind donations should be recognized with a recognition form. Noncash charitable contributions of more than $500 for which a donor desires a tax deduction must be listed in detail on IRS Form 8283, Noncash Charitable Contributions. The charter school and donors should review the IRS instructions for this form each year for changes in regulations regarding noncash charitable contributions.

To receive a tax deduction for any item the donor values at more than $5,000, the IRS requires the donor to submit both Form 8283 and a written appraisal from a qualified appraiser.

A sample in-kind donation recognition form can be downloaded in Microsoft Word format by clicking here.

Abatement of Revenue

When part or all of the revenue of a charter school must be returned to the source from which it was received, the transaction shall be accounted for as an abatement of revenue (i.e., the cancellation of a part or the whole of a specific receipt previously recorded). Such cancellations of previously recorded receipts usually result from tax refunds, refunds of money received from state or federal sources, or refunds of moneys previously received in error.

It is appropriate to abate a revenue account only if revenue would be incorrectly stated otherwise. Accounting for such transactions in the manner described keeps both revenue and expenditures in true perspective.

Accounting Instructions for Abatement of Revenues

In accounting, netting revenues and expenditures is generally avoided. Revenues and expenditures should both be reported in their entirety.

When a transaction occurs that represents a cancellation or a reduction of revenue receipts, it must be accounted for as an abatement of revenue by debiting revenue. The revenue account debited is the same account that was credited when the original revenue was received. The current year revenue account is debited even if the original revenue was received in a prior fiscal year.

The distribution to others of moneys received on their behalf is not a return of revenue to the source from which it was received and therefore is not recorded as an abatement of revenue. For instructions on accounting for the distribution to others of moneys received on their behalf, refer to Procedure 750, Pass-Through Grants and Cooperative Projects.

Items Allowable as Abatements of Revenues

The following are examples of transactions that should be accounted for as abatements of revenue:

1. Tax refunds

2. Rental refunds
3. Tuition refunds

   To students, parents, or guardians

   To other charter schools because of overpayments
4. Refunds of revenue from federal sources
5. Refunds of revenue from state sources
6. Refunds of other moneys received in error
7. Direct expenditures (e.g., consultant–broker fees and the like) made in conjunction with real estate sales. (Such transactions may be abated to sale proceeds. Usually, such abatement occurs in escrow, and only net proceeds are recorded as revenue.)

Restricted Funds

Funds or assets may be with or without donor restrictions.

Net assets without donor restrictions are assets the use of which is not restricted by donors, even though their use may be limited for other reasons, such as by board designation.

Net assets with donor restrictions are assets the use of which has been limited to a specific purpose, or contractual restrictions, or donors. These restrictions may be temporary or permanent.

When revenue is earned, the business office should review any documents associated with the revenue to determine whether any restrictions apply to the funds. Examples of restricted funds include, but are not limited to, the following:

- A grant received to operate a specific program or project, for which certain performance objectives must be met.
- An individual donation given with the intent to support a particular program.
- Donations given on the condition that they be held in perpetuity.

Information on restrictions should be included in the grant of contract award letter or on the financial instrument itself.

If revenue is determined to have restrictions, the business office should record the transactions for that revenue in a separate and trackable account or class within the accounting records to keep them separate from unrestricted funds. The business office should also track the restricted funds in a separate spreadsheet and keep a program binder or file of all pertinent documents so the account can be reconciled at the end of the fiscal year.

Temporarily restricted funds should be monitored regularly to ensure that the terms of the grant, contract or donor restrictions are satisfied.

Permanently restricted funds are restricted by the donor for a designated purpose and never become unrestricted unless the donor rescinds the restriction. Typically, the principal balance of the donation or asset should remain invested permanently, and the charter school should use the interest and/or investment returns. An endowment is a common type of permanently restricted donation.

Restricted Funds Accounting

The charter school is bound by law to spend donated dollars as directed by the grantor, contract, or donor. If a condition on restricted funding has not been met and the money has been spent, the grantor can disallow the expenditure and demand that the funds be returned. In some cases, grantors or donors may pursue legal action.

When budgeting for restricted funds, a charter school should not budget money that is not available. When planning and budgeting, charter schools should be mindful of the conditions governing the use of restricted funds and how they will affect cash flow and the availability of funds. Restricted funds should be clearly segregated in the budget.

Chapter 6 - Financial Reporting

Audit and Reporting Standards

Nonprofit Reporting Standards

Most charter schools in California are organized as nonprofit public benefit corporations and use nonprofit financial reporting standards.

Nonprofit financial statements are prepared using standards established by the Financial Accounting Standards Board (FASB) and are detailed in the FASB Accounting Standards Codification (ASC). FASB accounting standards are also known as GAAP accounting standards, though commonly referred to as GAAP codification. FASB ASC 958-210, Not-for-Profit Entities Balance Sheet, addresses reporting for nonprofits.

Although their financial reports may be prepared using nonprofit reporting methods, charter schools are considered local government entities; therefore, the independent audit must be conducted based on governmental auditing standards and the provisions listed in the Guide for Annual Audits of TK-12 Local Educational Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel (EAAP) and available at www.eaap.ca.gov.

Governmental Accounting Reporting Standards

Charter schools are authorized by governmental entities, funded primarily with state aid, and overseen by a local authorizer; therefore, charter schools are considered local educational entities and must prepare their audited financial statements based on governmental accounting standards. Charter schools in California are required to follow and adhere to generally accepted accounting principles (GAAP); failure to do so may result in revocation of a charter. Charter schools can process accounting transactions and prepare financial reports for unaudited and auditing purposes using either the nonprofit reporting method or governmental accounting standards. The charter petition should state which method of reporting the charter school will use.

Governmental accounting standards reporting includes the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of a charter school.

The governmental accounting standards require extensive and comprehensive reporting; reconciliation between the governmental funds balance sheet and the statement of net assets; reconciliation between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities; and many other reporting statements and analyses.

Reporting with the Authorizing LEA or Separately

Charter schools operated as or by a nonprofit public benefit corporation usually follow nonprofit reporting standards and issue a separate unaudited actual report and audited financial statements from the authorizing LEA.

Governmental Accounting Standards Board (GASB) statements 14, *The Financial Reporting Entity; 39, Determining Whether Certain Organizations Are Component Units*; and 61, *The Financial Reporting Entity,* provide guidance about whether a charter school's financial reporting should be combined with that of the authorizing LEA or performed separately.

A charter school that is part of the same reporting entity as its authorizing LEA should be included in the LEA's financial statements and should submit its unaudited actuals and annual audited actuals to the CDE as part of the LEA's combined financial reporting. When a charter school is part of its authorizing LEA, the LEA's independent audit firm will audit the charter school, and this financial information will become a component of the LEA's audited financial figures.

Consolidated Financial Reporting

Any charter school that enters a relationship with a charter school-related organization (CSRO) must evaluate whether GAAP requires these entities to be consolidated for financial reporting purposes. The charter school's management should fully disclose these relationships to its independent auditor for proper determination of reporting requirements.

Consolidation of a charter school's financial statements with those of a related entity depends on two factors: *economic interest and control.*

- An *economic interest* in another entity exists when another entity holds or provides significant services to the organization, or the organization is responsible for another entity's liabilities.
- *Control* is the direct or indirect ability to determine the direction of an organization's management and policies. An organization that has a majority voting interest in the governing board of another entity or other delegated governance may have control of that entity. Control may be exercised if an entity has the direct or indirect ability to appoint individuals that together constitute a majority of the votes of that entity's governing board. Further, if one organization approves a majority of another entity's governing board, that organization has the indirect ability to determine the direction of the other entity's management and policies.

Depending on whether economic interest and control exist, the consolidation of the charter school's and the CSRO's financial statements can be required, optional, or not allowed, as follows:

- Required: An organization that has both an economic interest in and control of another entity through a majority voting interest in the other entity's governing board should prepare consolidated financial statements. If a sole statutory member has a controlling financial interest through ownership of a majority voting interest, consolidation of financial statements is required.
- Optional: If an organization has both an economic interest in and control of another entity, but that control is other than a majority voting interest, such as through a contract or affiliation agreement, consolidation is permitted but not required.
- Not Allowed: An organization that has neither an economic interest nor control of another entity should not issue consolidated financial statements.

The structure of the relationship between a charter school and another entity ultimately determines whether consolidated financial statements are required or optional. When establishing a relationship with any organization, the level of economic interest and control should be considered and fully disclosed to the charter school's authorizer, legal counsel, and independent auditor.

Audit Standards

Both nonprofit and governmental methods of accounting and reporting require annual independent audits of the charter school using generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Government auditing standards are also known as the Yellow Book. The Yellow Book contains the

standards for audits of government organizations, programs, activities, and functions; it is published by the United States Government Accountability Office (www.gao.gov).

Federal and State Compliance Audit Standards

Charter schools must also comply with federal and state assurances and requirements for principal apportionment certification, after-school education, facility grants, instructional minutes, state instructional standards, and other entitlement or grant funds. The state compliance requirements can be found in *Standards and Procedures for Audits of California TK-12 Local Education Agencies*, which is published by the EAAP and is updated annually.

To better prepare for all the California State Controller's Office (SCO's) audit requirements, those responsible for charter school operations should visit the EAAP web site at www.eaap.ca.gov and obtain a copy of the state compliance requirements and the audit procedures. This information can help a charter school verify its compliance before the annual audit and thus avoid audit findings.

Filing Instructions for the Annual Audit Report – CDE and SCO

Audit reports must be filed with the SCO, the CDE, the local county superintendent of schools, and, if applicable, the chartering entity, by December 15. While the audit firm generally submits the audit to the CDE and SCO, the charter school should verify that it has been submitted.

The CDE (see http://www.cde.ca.gov/fg/au/ag/submitauditrpt.asp) requires charter school audit reports to be submitted electronically in either unsecured Adobe Acrobat (.pdf) (preferred) or Microsoft Word format and include the independent auditor's electronic signature. Electronic audit reports may be submitted on compact disc by mail or transferred electronically via the exFiles File Transfer System.

Independent auditors must submit to the SCO one copy of the report by U.S. Postal Service, private carrier, or via File Transfer Protocol (FTP). Reports submitted via FTP must be uploaded as an unsecured PDF. Charter schools should use only one method of submission. The SCO websites at http://sco.ca.gov/aud_k_12_leas_audit_report_requirements.html and http://www.sco.ca.gov/aud_where_to_submit_audit_reports.html list specific requirements for charter schools.

Extensions for charter school audits must be obtained through the chartering entity (sponsoring school district), and the chartering entity should notify the CDE and the SCO of the extension. (see Filing Extensions - Local Education Agency (LEA) Audit Guidelines (CA Dept of Education)).

First Year Audit

New charter schools, once approved by their authorizer's governing board, are required to prepare unaudited financial statements and be audited their first fiscal year ending June 30 if any financial activity occurs.

Although a charter school may not receive apportionment funding or serve students during this first fiscal period, many charter schools receive startup grant revenues, revolving fund loans, donations and other revenues, and have start-up expenditures during this time. When a charter school has financial activity, regardless of how small or short-lived, it is required to prepare unaudited financial statements and receive an independent audit for its first fiscal year.

Presentation of Audited Financial Statements

The independent auditor should formally present the charter school's annual audited financial statements to the full governing board at a public board meeting. Before this presentation, the independent auditor will

often meet with the charter school's finance and audit committee to provide additional detail and/or answer more specific questions.

Internal Revenue Service (IRS)

Government Information and Tax Returns

A charter school must be aware of its obligations to file tax and information returns, and must comply with all federal, state, and local requirements.

Requirements include, but are not limited to, filing the following:

- Annual information returns with the IRS
- California charitable solicitation reports
- Annual reports for corporations
- Property tax returns
- Income tax returns
- Information returns for retirement plans
- Annual reporting of compensation paid
- Payroll withholding tax returns

Filing IRS Information and Tax Return Forms

Any organization engaged in a trade or business, including nonprofit organizations such as charter schools, must file information returns to report certain transactions to the IRS and other government agencies. The CFO is responsible for ensuring that the charter school follows all filing requirements. Most often, charter schools will engage their independent audit firm or other tax preparation consultants to assist in preparing and filing annual IRS information and tax return forms. Charter schools should adopt and implement policies and procedures to ensure the filing of complete and accurate returns. All annual tax and information returns (e.g., Form 990, Form 990-T) should be filed using the accrual basis of reporting.

The following list includes reports and returns the charter school may be required to file, assuming a fiscal year ending June 30:

1. Form 990, Return of Organization Exempt from Income Tax — annual information return used by tax-exempt organizations filed with IRS — is due on November 15. Many schools file a Form 8868, Application for Extension of Time to File an Exempt Organization Return, to request an automatic 6-month extension of time to file the return.
2. Form 990-T, Exempt Organization Business Income Tax Return — annual tax return to report any unrelated trade or business activities filed with the IRS — is due on November 15.
3. Form 199, Exempt Organization Annual Information Statement or Return (California) — filed with the Franchise Tax Board — is due on November 15.
4. Form 5500, Annual Return/Report of Employee Benefit Plan — annual return developed by the IRS, Department of Labor, and Pension Benefit Guaranty Corporation for employee benefit plans to satisfy annual reporting requirements of Title I and Title IV of the Employee Retirement Income Security Act and of the Internal Revenue Code — is due on November 15.

5. Form 941 (federal) and state payroll tax returns — depending on the size of the employment tax liability — filed quarterly or annually.
6. Form RRF-1, Registration/Renewal Fee Report to Attorney General of California — to assist the Attorney General's Office with early detection of charity fiscal mismanagement and unlawful diversion of charitable assets — is due on November 15.
7. SF-SAC, the data collection form for reporting audits of state, local government, and nonprofit organizations — the Office of Management and Budget requires all Forms SF-SAC and single audit submissions to be submitted on the Federal Audit Clearinghouse Internet Data Entry System. The audit shall be completed and the data collection form and reporting package shall be electronically transmitted within 30 days after receipt of the auditor's report(s) or within nine months after the end of the audit period, whichever is earlier.
8. Form 1099, Miscellaneous Income — Report to the IRS on certain types of income; normally for independent vendors — is due to vendors by January 31, and due to the IRS by February 28.
9. Form 1096, Annual Summary and Transmittal of U.S. Information Returns — to transmit paper forms 1097 (Bond Tax Credit), 1098 (Mortgage Interest Statement), 1099 (Miscellaneous Income), 3921 (Exercise of an Incentive Stock Option), 3922 (Transfer of Stock Acquired Through an Employee Stock Option Plan), 5498 (IRA Contribution Information), and W-2G (Certain Gambling Winnings) to the IRS — is due by February 28.
10. Form W-2, Wage and Tax Statement — report to the IRS on employee wage and salary information as well as the amount of federal, state and other taxes withheld from their paycheck— due to employees and the IRS no later than January 31 following the close of the tax year.
11. Form W-3, Transmittal of Wage and Tax Statements — report summary of all Forms W-2 issued by an employer in one return, including the total amount of employees during the tax year — due to the IRS no later than January 31 following the close of the tax year.

Unrelated Business Activities

Even though an organization is recognized as tax exempt, it may still be liable for tax on its unrelated business taxable income. An exempt organization that has $1,000 or more gross income from an unrelated business must file IRS Form 990-T, Exempt Organization Business Income Tax Return. An activity is considered unrelated business (and is subject to unrelated business income tax) if it meets three requirements:

1. It is a trade or business.
2. It is regularly carried on.
3. It is not substantially related to furthering the exempt purpose of the organization.

There are several modifications, exclusions, and exceptions to this general definition of unrelated business income. Additional information can be found at https://www.irs.gov/charities-non-profits/unrelated-business-income-defined.

Using the guidelines in the Internal Revenue Code and underlying regulations, a charter school should identify and classify income-producing activities that are unrelated to the charter school's tax-exempt purpose. Such income should be kept in separate accounts in the charter school's general ledger to facilitate the tracking and accumulation of unrelated business activities.

Independent Contractors and 1099 Reporting

The IRS requires all independent contractors to be documented and tracked separately for reporting purposes. When the total payments to a vendor that provides services to the charter school exceed $600 in a calendar year, the charter school must issue IRS Form 1099 to that vendor and file it with the IRS.

Purchasing products from a vendor, such as food for a fundraiser or meal program, is not considered a service. Form 1099 reporting applies to all contractors that provide services (e.g., repair person, accountant, consultant) and that are not incorporated, and to all lawyers regardless of incorporation.

Significant tax consequences also result if a worker was misclassified and is subsequently reclassified, e.g., as a result of an audit. For the service recipient, such consequences may include liability for withholding taxes for a number of years, interest and penalties, and potential disqualification of employee benefit plans. For the worker, such consequences may include liability for self-employment taxes and denial of certain business-related deductions. Under present law, the determination of whether a worker is an employee or an independent contractor is generally made under a facts and circumstances test that seeks to determine whether the worker is subject to the control of the service recipient, not only as to the nature of the work performed, but the circumstances under which it is performed. In some cases, the treatment of a worker as an employee or independent contractor is specified by statute.

The ABC Test

In September 2019, the governor signed AB 5, requiring the application of the "ABC test" to determine if workers in California are employees or independent contractors for purposes of the Labor Code, the Unemployment Insurance Code, and the Industrial Welfare Commission wage orders.

Among other things, AB 5 and later AB 2257 added a new article to the Labor Code addressing these issues (Sections 2775-2787) and established stricter rules for employers to ensure that employees are not misclassified as independent contractors, and thus deprived of benefits to which employees are entitled. In particular, it established a standard that presumes all workers are employees unless the employer can show the following using the ABC test:

A. That the worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.

B. That the worker performs work that is outside the usual course of the hiring entity's business regardless of where the work occurs.

C. That the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity.

All three of these requirements need to be met for the presumption that a worker is an employee to be rebutted, and for a court to recognize that a worker has been properly classified as an independent contractor.

LEAs should review their relationships with independent contractors to determine if any should be reclassified. For more information on the ABC test, see https://www.labor.ca.gov/employmentstatus/abctest/.

Forms W-9 and 1099

All vendors that provide services should complete IRS Form W-9, Request for Taxpayer Identification Number and Certification. Based on the information the vendor provides the charter school in the W-9, the 1099 can be prepared. IRS Form W-9 is available at www.irs.gov and is often updated, so it is best to check the IRS website each year for the latest version.

The charter school should do the following:

- Secure an IRS Form W-9 from the service provider at the time of service to ensure the charter school has an accurate record of the service provider's taxpayer identification number (TIN).
- Issue an IRS Form 1099 to every vendor who performed reportable services of $600 or more during the previous calendar year. The 1099 must be issued by January 31 of the following year.
- Not contract with a vendor that refuses to provide their TIN. This usually means they do not want to provide a completed and signed Form W-9.
- By February 28, send the IRS its copies of all forms 1099 with IRS Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

IRS Penalty and Backup Withholding

If the charter school does business with a service contractor who does not provide Form W-9 or provide their TIN, the instructions for Form W-9 require the charter school to perform backup withholding by submitting to the IRS 28% of each payment made to that vendor.

If the charter school fails to perform this backup withholding, it may be responsible for paying the IRS the 28% backup withholding tax that should have been withheld from the vendor, plus any penalties that may be assessed. For more information on exemptions and backup withholding, consult the instructions section of the most recent W-9 form.

1099 Reporting to Employment Development Department

All independent contractor Form 1099 payments must be reported to California's Employment Development Department (EDD). The EDD uses this information to locate parents who are delinquent in their child support obligations.

See http://www.edd.ca.gov/payroll_taxes/independent_contractor_reporting.htm for the specific requirements.

The independent contractor reporting requirements apply if the charter school hires an independent contractor and if all three of the following statements are true:

- The charter school is required to file a Form 1099-MISC with the IRS for the services performed by the independent contractor.
- The independent contractor is paid $600 or more, or enters into a contract for $600 or more.
- The independent contractor is an individual or sole proprietorship.

If all the above statements are true, the independent contractor must be reported to the EDD within 20 days of when they were paid or when they were contracted for $600 or more in services. Independent contractors that are corporations, general partnerships, limited liability partnerships, or limited liability companies do not have to be reported to the EDD.

Reporting to the EDD is completed by filing Form DE 542, Report of Independent Contractor(s), which can be submitted electronically or on paper.

Financial Reporting

Statutory Financial Report Requirements

Education Code Section 47604.33 requires charter schools to submit budget and interim financial reports to their chartering authority and the county superintendent of schools for review (or only to the county superintendent of schools if the county board of education is the charter authority). The CDE annually prepares and publishes fiscal calendars on its website relating to financial reporting, fiscal oversight, principal apportionment funding, and categorical programs. The updated calendars can be found at http://www.cde.ca.gov/re/ca/fc/.

Due Date	Item	Description	Education Code
July 1	Budget	Charter school budget due to chartering authority and COE.	47604.33(a)(1)
September 15	Unaudited Actual Data	Charter school unaudited actual data due to chartering authority and COE.	47604.33(a)(5)* 42100(b)
October 15	Unaudited Actual Data	After reviewing for accuracy, COE transmits charter school unaudited actuals data to SSPI.	42100(a) (also GC 7906(f))
December 15	First Interim (shows changes through Oct. 31)	Charter school first interim due to chartering authority and COE.	47604.33(a)(3)
December 15	Audit	Charter school prior year audit due to chartering authority, COE, SSPI and SCO.	47605(m) 41020(h)
March 15	Second Interim (shows changes through January 31)	Charter school second interim due to chartering authority and COE.	47604.33(a)(4)
May 15	Audit Status	COE must certify to SSPI and SCO that prior year audits were reviewed and must identify attendance-related exceptions or exceptions involving state funds.	41020(k)

*EC 42100 reporting will satisfy EC 47604.33 requirement.

Furthermore, Education Code Section 47605(m) requires a charter school to transmit a copy of its annual independent financial audit report for the preceding fiscal year to its chartering authority, the county superintendent of schools of the county in which the charter is located, the CDE, and the SCO by December 15 of each year.

The chartering authority is tasked to use these financial reports, and other information it obtains from the charter school, to monitor the charter school's fiscal condition. The cost of performing this oversight responsibility is funded through the fees collected pursuant to Education Code Section 47613. Most often, chartering authorities will establish financial reporting deadlines prior to those outlined in statute, to ensure sufficient time to review and evaluate the reports prior to submitting to the county superintendent of schools (in the case of school district chartering authorities). The county also forwards the final unaudited report for the prior year to the CDE.

The CDE annually publishes summary calendars relating to statutory financial reporting for LEAs on its website at http://www.cde.ca.gov/re/ca/fc/ (see "Summary Calendar" for due dates relating to charter schools).

Interim Financial Reports

LEAs, including charter schools, are required by statute to file two reports during a fiscal year (interim reports) on the status of the LEA's financial health. The first interim report is due December 15 for the period ending October 31. The second interim report is due March 15 for the period ending January 31. School district interim reports must include a certification of whether the LEA is able to meet its financial obligations.

Although charter schools are not required to include a certification of whether they can meet their financial obligations, the certifications are defined below in the event an authorizer requires a certification in the Memorandum of Understanding (MOU) with the charter school. In addition, understanding and using the certification definitions for interim reporting to show whether a charter school can meet its financial obligations is a suggested best practice.

- Positive certification is assigned when the charter school will meet its financial obligations for the current and two subsequent fiscal years.
- Qualified certification is assigned when the charter school may not meet its financial obligations for the current or two subsequent fiscal years.
- Negative certification is assigned when a charter school will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Independent Annual Audit Report

Charter schools must annually prepare and submit an audit report to their chartering authority, the county superintendent of schools of the county in which the charter is located, the CDE, and the SCO by December 15 of each year (EC Section 47605(m)).

Charter schools should engage a certified public accountant (CPA) for the audit report, which is a report where the auditor expresses an opinion on the charter school's financial statements. A list of CPAs designated as active by the SCO and who can perform TK-12 LEA audits is available on the SCO website at https://cpads.sco.ca.gov. Although their financial reports may be prepared using nonprofit reporting methods, charter schools are considered local government entities; therefore, the annual audit must meet the standards established through regulations each year by the EAAP and published as a guide on the EAAP website at http://eaap.ca.gov. Further guidance on TK-12 LEA audit report submissions and guidelines for audits is available on the SCO website at https://sco.ca.gov/aud_k12_lea.html.

County offices of education will collect audit contract information, such as firm name, contact information, and fee amounts, from all TK-12 LEAs, including charter schools, usually in March of each year, to ensure audit contracts are in place by April 1 annually (EC Section 41020(b)(3)). If a charter school fails to contract for an auditor by April 1, it is the responsibility of the county superintendent of schools to contract with an audit firm on behalf of the charter school by May 1 at the charter school's cost [EC Section 41020(b)(1) and EC Section 41020(b)(3)].

Compilation, Review and Audit Reports

Organizations may engage a CPA firm for varying levels of service relating to the preparation and review of its financial statements. Once prepared, a CPA may provide one of three reports on the organization's

financial statements with varying levels of assurance: 1) compilation, 2) review, or 3) audit. Charter schools are required to annually prepare and submit an audit report, rather than a compilation or review.

- Compilation reports are the lowest level of assurance: the CPA may perform some analysis, and prepares the financial statements in an acceptable format, but does not express any assurance regarding the financial statements.
- Review reports involve much more analysis, including a review of account balances for reasonableness, and questions to management about material or large transactions and account balances. The CPA's review report expresses limited assurance but not an opinion.
- Audit reports provide the highest level of financial statement assurance. When an auditor issues an audit report, there are four ways they can express an opinion on the audited financial statements: unqualified, qualified, adverse, and disclaimer (see below). The auditor is required to state in the opinion whether generally accepted accounting principles have been followed and applied consistently.

1. Unqualified opinion – this is the desired outcome and means there are no reservations about the financial statements. This opinion is often called a clean opinion, meaning that the financial statements are presented fairly.
2. Qualified opinion – this means that the auditor has found some exception(s) to the accounting applications, or that misstatements, individually or in the aggregate, are material to the financial statements but not pervasive.
3. Adverse opinion – this means that the auditor, having obtained sufficient audit evidence, concludes that misstatements, individually or in the aggregate, are both material to the financial statements and pervasive. The financial statements do not fairly present the financial position, results of operations, and changes in financial position, and thus are not in conformity to GAAP.
4. Disclaimer opinion – this means the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. The auditor is not allowing their name to be associated with financial statements that could not be examined in accordance with GAAP.

Going Concern

In the annual audit, the auditor will assess the charter school's ability to continue as a going concern. The term "going concern" when applied to an agency, business, or organization, means that the entity is fiscally healthy and able to meet its financial obligations. An organization is not a going concern when its fiscal health is suspect, or when it is deemed to have risk of insolvency. This latter circumstance would be considered "not a going concern" or "lack of a going concern."

Management Financial Reports

Management financial reports, such as the charter school's financial statements (i.e., Statement of Financial Position - Balance Sheet, Statement of Activities - Income or Profit/Loss Statement, and Statement of Cash Flows) and budget-to-actual report should be prepared and distributed in a timely manner following the end of a fiscal reporting period.

The timing and preparation of these reports are critical to the effective operation of a charter school. Business office staff should develop month-end and quarterly close processes to ensure the data reflected

in these reports are reliable, stable, and accurate. The CFO should review the school's financial reports at least monthly, and more often as needed, such as when cash reserves are low.

The CFO should provide management reports, such as the financial statements, regularly to the governing board for review and approval; monthly is the recommended best practice. Regular financial reporting helps ensure transparency regarding the charter school's budget and finances. It also assists in identifying errors and omissions that may impact the charter school's overall financial health.

Further information on the components of the financial statements is available in the accounting basics section of this report.

Grant and Entitlement Financial Reports

Charter schools should establish policies and procedures to ensure accurate and timely reporting and compliance for all grant and entitlement program funding. Virtually all federal, state, and local funding sources have specific and unique requirements regarding financial and programmatic reporting and use, including expenditure and reporting deadlines, periods (e.g., annual or quarterly basis), and data requests (e.g., financials by major expenditure category, by allowable use category, etc.)

A best practice for the business office is to create a calendar with all relevant financial reporting deadlines to identify and share with all responsible parties. Most often, categorical program reporting will require substantial collaboration and planning between the business office and educational leadership. The charter school's procedures and calendar should allow for review and approval as needed by the governing board, chartering authority, or other entity (e.g., SELPA, JPA, or consortium) prior to submission to the grantor agency.

Charter school management, including but not limited to the business office staff, must understand fully the reporting and programmatic requirements of all grant and entitlement funding sources to mitigate financial risk to the organization due to noncompliance. Insufficient financial reporting processes and procedures could jeopardize a charter school's financial health if funds must be returned due to noncompliance with program rules.

Some common examples of financial reports by major revenue object classification are as follows:

- Local Control Funding Formula (LCFF) – as a condition of receiving grants under the state's LCFF program, all LEAs, including charter schools, must adopt and update a Local Control Accountability Plan (LCAP) by July 1 each year (further information on the LCFF and the LCAP is available in other sections of this manual).
- Federal Revenue – the CDE has implemented the Consolidated Application and Reporting System (CARS) to apply for federal categorical program funding (i.e., Title I, Title II, Title III, and Title IV) and to report on the use of those funds. In 2019-20, the CDE developed a reporting tool to report on uses of one-time federal funds apportioned to address the impact of COVID-19 (ESSER I, ESSER II, and ESSER III). Other common program examples as of the date of this manual include Perkins, IDEA Special Education, and child nutrition meal reimbursements, all of which have a unique reporting system and requirements.
- Other State Revenue – state-funded categorical programs often require the development of an application, expenditure plan, and/or program budget that must be submitted to the state for approval, with periodic reporting on expenditures or uses (e.g., quarterly, annual, or when fully expended with the close of a grant's term). Common examples for charter schools include the following: Charter School Facility Grant Program (commonly referred to as the SB 740 grant), child nutrition meal reimbursements, career technical education incentive grant, expanded learning opportunities grant, and others.

Federal Cash Management Data Collection (CMDC) System

The CDE has developed a web-based data collection application for LEAs to report federal cash management data for federal programs under the Every Student Succeeds Act (ESSA), such as Title I, Title II, Title III, and Title IV. Federal statutes require the CDE to minimize the time elapsing between the receipt and disbursement of federal funds. The CDE uses the CMDC system to provide the necessary data to comply with this requirement. Direct funded charter schools must submit the CMDC report quarterly to receive an apportionment for that quarter. The CDE apportions funds to LEAs when the program's cash balance is below a certain threshold. Failure to submit the CMDC report for a reporting period will result in the LEA not receiving funds for that period.

Frequency of Preparation

The objective of a charter school's accounting department (or back office service provider or bookkeeping service) is to record and account for financial data accurately, and prepare accurate financial statements in accordance with GAAP and distribute them in a timely and cost-effective manner. To fulfill this responsibility, the following are recommended:

> A standard set of financial statements should be produced monthly for presentation at a meeting of the governing board. These statements should include comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts. In addition, it is helpful to include supplemental information on activities, by department and function (and/or by program or grant), whenever possible.
>
> The monthly set of financial statements may be prepared using the cash, modified accrual, or accrual basis of accounting, except for year-end reports. Year-end reporting must use either the modified accrual or accrual method of accounting. Year-end reports must include all of the following as of June 30:
>
> - Receivables
> - Prepaid accounts
> - Accounts payable
> - Loans/notes payable
> - Accruals
> - Depreciation and amortization expense

Review and Distribution

The CFO should review and approve all financial statements and supporting schedules. Both the preparer and the CFO should sign financial reports upon completion.

The complete and final set of financial statements should include any supplemental schedules described above and, after approval by the CFO, should be distributed to the following individuals:

- All members of the finance and audit committee of the governing board
- Executive director

School principals and any other employees who have budget monitoring responsibilities should receive the budget versus actual report for comparison and review.

Financial statements should include multiyear financial projections and cash flow statements and may include supplemental schedules such as accounts receivable and accounts payable aging reports.

Chapter 7 - Internal Controls and Fraud

Internal Controls

Definition and Importance

Internal controls are the foundation of sound financial management. They include the policies and procedures that help provide reasonable assurance that the charter school is achieving its objectives and goals by doing the following:

- Ensuring that operations are effective and efficient.
- Safeguarding and preserving the organization's assets.
- Promoting successful events and fundraising ventures.
- Protecting against improper disbursements.
- Ensuring that unauthorized obligations cannot be incurred.
- Providing reliable financial information.
- Reducing the risk of, and promoting the detection of, fraud and abuse.
- Protecting employees and volunteers.
- Ensuring compliance with applicable laws and regulations.
- Ensuring accurate documenting of all transactions.

Internal controls include segregating duties according to employees' functions so that one person does not handle a transaction from beginning to end. This is a critical part of a system of checks and balances. Functions that need to be segregated include the following:

- Initiating, authorizing or approving transactions.
- Executing transactions.
- Recording the transaction.
- Reconciling the transaction.
- Responsibility for the item resulting from the transaction.

To ensure proper internal controls, the duties of custody, recording, and reconciliation should be kept separate. For example, if the school accountant or bookkeeper collects cash, records activity (including receipts) in the financial system, prepares the deposit slip and reconciles the bank account, with no one else involved in verifying these transactions, there is a definite lack of internal control because there is no separation of duties. This is especially true if no one other than the school accountant or bookkeeper reviews the bank statement and compares it to the original cash receipt documentation. This lack of segregation of duties exposes the school to higher risk of cash skimming, delayed deposits, or other errors or irregularities.

Internal controls protect not only assets such as money and equipment, but also people. For example, establishing effective internal controls for fundraising events significantly reduces the risk that anyone participating in the event will be accused of impropriety. Disagreements among principals or other school

administrators, faculty, parents, students and/or community members sometimes result in false accusations. These accusations can be difficult or even impossible to disprove if the organization does not have sound internal controls. Once a person is accused of wrongdoing it is difficult to clear one's reputation even if the accusation is false. Having internal controls in place can prevent such issues from occurring.

Internal controls are affected by the practices and attitudes of the board and administrators. A charter school should be able to answer the following questions in the affirmative:

- Has the board developed and approved policies to aid in the prevention and detection of fraud?
- Does the school administrator set a good example by following established policies and procedures?
- Does the school administrator ensure that all staff, volunteers and others associated with the school are informed about and follow established policies and procedures?
- Does the school provide continual assistance and training for all staff members involved in all aspects of cash management and fundraising?
- Does the school administrator act when an infraction occurs?

The basic components of internal controls include the following:

- System of checks and balances – Formal procedures should be implemented to initiate, approve, execute, record and reconcile transactions. The procedures should identify the employees responsible for each step and the time period for completion. Key areas requiring checks and balances include payroll, purchasing, accounts payable and cash receipts.
- Segregation of duties – Adequate internal accounting procedures must be implemented and necessary changes made to segregate job duties and protect the charter's assets. No single employee should handle a transaction from initiation to reconciliation, and no single employee should have custody of an asset, such as cash, and maintain the records of its transactions.
- Staff cross-training – More than one employee should be able to perform each job. Each staff member should be required to use accrued vacation, and another staff member should be assigned to perform those duties at that time. Inadequate cross-training is often a problem regardless of the size of an organization.
- Use of prenumbered documents – Checks, cash receipts, purchase orders, receiving reports, and tickets should all be printed by an entity independent of the charter. Physical controls should be maintained over the check stock, cash receipt books and tickets. Using prenumbered documents without an independently reconciled log of numbers is insufficient.
- Asset security – Cash should be deposited daily, and the charter's other property, such as computers and other equipment, should be secured. Access to supplies, including but not limited to stores, food, tools, and gasoline, should be restricted to designated employees.
- Timely reconciliations – Bank statements and account balances should be reconciled monthly by an employee independent of the individual who is assigned to the original transaction and recording. For example, the office employee reconciling the checking account should not be the same person who maintains the check stock.
- Supervisory controls - This assesses whether the transaction control activities performed are accurate and in accordance with established policies and procedures.

- Comprehensive annual budget – The annual budget should include sufficient detail for revenue and expenditures by school site, department and resource to identify variances and determine whether financial goals were achieved. Material variances in revenues and expenditures should be investigated promptly and thoroughly.
- Inventory records – Inventory records should be maintained that identify the items and quantities purchased, sold or designated as surplus. Physical inventory should be taken periodically and reconciled with inventory records. Inventoried items particularly susceptible to misappropriation include computer equipment, warehouse supplies, food service commodities, maintenance and transportation parts and student store goods.

To help ensure adequate internal controls, a school needs to establish, implement and maintain efficient and understandable policies and procedures based on laws, regulations, and sound business principles, and communicate them to those involved (e.g., staff). All employees, volunteers, and students (when necessary) must be aware of expectations regarding internal accounting controls. All individuals who are expected to follow policies and carry out procedures should be trained; more than one person should be trained for each function (cross training).

Practices and procedures must be sufficient to assure management that the internal control system is sound. A charter school should prepare and maintain documentation of all policies and procedures, including a detailed accounting policies and procedures manual with standard forms, to provide help and guidance regarding what should occur. The annual independent audit can serve to monitor whether policies and procedures are being followed and to determine compliance with applicable state and federal regulations.

If problems with internal controls are identified through any means, a charter school should act immediately. Standardization should also be used: if something works well in one department or school, consider using it schoolwide and at all schools.

Internal controls are the principal mechanism for preventing and/or deterring fraud or illegal acts, misappropriation of assets, and other fraudulent activities. Good internal controls do not eliminate the chance of errors or fraud, but they reduce risk to an acceptable level. Effective internal controls provide reasonable assurance that the school's operations are effective and efficient, that the financial information produced is reliable, and that the organization operates in compliance with all applicable laws and regulations. Few entities have perfect internal control structures, so it is imperative that managers develop techniques to offset any weaknesses.

A charter school's independent auditor is often the best source to turn to if there is uncertainty about whether a procedure being used is a best practice or should be changed.

Internal Controls Checklist

The following checklist is comprehensive and may be used to evaluate a charter school's internal controls along with other measures such as the charter school's internal audits and the annual independent audit. The checklist can also be downloaded by clicking here.

A "no" answer to any of the checklist questions indicates a possible internal control weakness that should be investigated and addressed if applicable. The more "no" answers, the greater a charter school's internal control risk and need for attention. Identifying internal control weaknesses and correcting them is vital to successful financial operations in any organization.

Internal Controls Checklist					
		Yes	No	N/A	Comments
1	Does the school have comprehensive board policies and administrative procedures that provide rules and regulations for school governance and operations?				
2	Does the school have a detailed, comprehensive charter school accounting policies and procedures manual?				
3	Has the FCMAT *California Charter School Accounting and Best Practices Manual* been adopted as part of, or to supplement, the school's policies and procedures?				
4	If the school has adopted its own comprehensive charter school manual, is it reviewed and updated, if necessary, at least annually? Does the update address areas of confusion as well as issues identified in the previous year's audit?				
5	Does the business office provide annual cash handling training for all employees, volunteers and parents who work with school activities that involve cash transactions; and does it retain a signed and dated training attendance log for each training?				
6	Do business office staff visit each school at least annually to provide support and to review internal control procedures used at the school?				
7	Has the business office taken immediate action to correct annual audit findings? Are the schools involved in developing action plans to ensure that the findings do not recur?				
8	Are there at least three governing board members?				
9	Has the charter school avoided components of delegated governance such as sole statutory members?				
10	Does the charter school's budget have detailed budget notes and assumptions that include calculations, references, and other measures of how each budget line item amount was determined?				
11	Are staff who are responsible for monitoring budget versus actual financial reporting doing so regularly and informing managers in a timely manner of any variances of concern?				
12	Are financial reports and other governmental filings, such as tax and information returns, tracked and submitted by the required due dates?				
13	Does the chief financial officer (CFO) or CFO's designee receive and review periodic financial statements and sign and date them to indicate they have been reviewed?				
14	Does the charter school have a conflict of interest code pursuant to the Political Reform Act and Government Code section 87100 and Corporations Code section 5233 for nonprofit organizations?				
15	Do all board members, managers, designated employees and consultants who make, participate in making, or act in staff capacity for making governmental decisions, annually submit conflict of interest Form 700?				

Internal Controls Checklist					
		Yes	No	N/A	Comments
16	Is there a policy prohibiting nepotism in the charter school?				
17	Is there a policy ensuring that board members and administrators abstain from all discussions, negotiations and votes related to any contract in which they have a personal financial interest, and do board members do so by removing themselves from the meeting and ensuring that their abstention and departure are recorded in the board minutes?				
18	Is there a board policy that prohibits commingling and blending of funds?				
19	If there are charter school-related organizations such as charter management organizations, education management organizations or foundations, are all of the transactions between the charter school and charter school-related organizations transparent, documented in detail in memoranda of understanding, and fully disclosed to the charter school's independent auditor?				
20	If intraorganizational loans are allowed, are the loans' transactions and balances, and the origin, source and use of the loan funds, transparent, auditable, accountable and approved in writing by the CFO?				
21	Do employees have a mechanism to report questionable or suspicious activities to the school's CFO, executive director or other administrator for investigation?				
22	Does the school provide staff development and training opportunities throughout the year for employees who work in finance and accounting to help increase their skills and effectiveness? Is employees' attendance documented with their signatures?				
23	Is there a contact person in the business office to answer questions or direct them to others who can do so and provide assistance with finance and accounting?				
24	Is the school's accounting and finance recordkeeping computerized? If so, is the software adequate to meet the school's needs?				
25	Are all school computers and accounting software accessible only with a school-provided user ID and password?				
26	Are all school computer and accounting software passwords confidential, safeguarded, and changed periodically?				
27	Is all electronic information backed up at least once a week? Is the backup kept on both an internal computer server and an external cloud-based backup service?				
28	Do managers and administrators allow staff to express concerns about expenditures or other items?				
29	Are employees' travel and other expense reimbursements authorized in advance, documented in detail with receipts and notes explaining the business purpose, and accompanied by an expense reimbursement form?				

Internal Controls Checklist					
		Yes	No	N/A	Comments
30	Is there an insurance policy that is reviewed and updated to ensure it is sufficient to meet the charter school's needs?				
31	Before any disbursement is issued to an independent contractor, does the business office ensure that a valid and signed IRS Form W-9, Request for Taxpayer Identification Number and Certification, is on file?				
32	Does the business office issue 1099s to all independent contractors?				
33	Are all employees who perform work for the school paid through the school's payroll?				
34	Has the business office developed standard forms, processes and systems for school financial operations?				
35	Is every donation accounted for separately and deposited only after it is approved by the governing board or designee?				
36	Is a list of accrued liabilities established and updated regularly?				
37	Is a list of notes payable and lines of credit maintained and updated regularly, with all terms of each individual obligation listed in detail?				
38	Are all supplies tracked to help prevent theft, spoilage, overstocking or understocking, and obsolescence?				
39	Does the charter school maintain cash reserves equal to at least the amount approved in the MOU?				
40	Are all general ledger entries (including audit adjustments, reclassifications and other journal entries) supported by journal vouchers or other documentation that includes a reasonable explanation of each entry?				
41	Is check signing authority limited, and is the check signatory list current?				
42	Does the charter school ensure that staff establish and follow cash receipt control procedures with adequate internal controls for all types of cash collections, including fundraising events?				
43	When cash receipts are brought to accounting for deposit, are staff given adequate time to count the money in the accounting person's presence, and do both individuals sign and date a cash count form indicating that their two counts agree?				
44	Are adequate supplies maintained for cash receipt control procedures, such as prenumbered tickets, prenumbered receipt books, and duplicate cash count forms?				
45	Does the charter school ensure that all staff involved in collecting cash submit both the cash and the appropriate documentation for all cash received?				

Internal Controls Checklist					
		Yes	No	N/A	Comments
46	Does the charter school ensure that cash count forms are used when funds are collected and counted, and that the forms are signed before accounting takes custody of the deposit?				
47	Is cash deposited into the bank account within a few days after it is collected and received, or at least by the last business day of each week?				
48	Is petty cash reconciled monthly to the accounting records, and are all petty cash transactions authorized, supported in detail with receipts, and accompanied by a petty cash reimbursement request?				
49	Are all credit and debit card transactions reconciled to each statement monthly and supported with receipts?				
50	Does the business office prepare the monthly bank reconciliations no later than two weeks after receiving the bank statement? Does the preparer sign and date the bank reconciliation?				
51	Are all bank account reconciling items properly documented?				
52	If bank account reconciliations are not performed within two weeks after receipt of the statement, is an agreement reached regarding when the reconciliation will be complete, and is there follow up to ensure the bank reconciliation is completed?				
53	Is the bank reconciliation reviewed by an administrator and signed and dated?				
54	Are all journal entries and transfers authorized?				
55	Are all outstanding deposits and checks on the bank reconciliation identified and followed up on if they do not clear the bank in a timely manner? (Deposits should remain outstanding for no more than two or three days.)				
56	Are all assets, such as furniture, fixtures, buildings, building improvements, leasehold improvements and equipment, properly capitalized or amortized for depreciation?				
57	Are assets that are not capitalized recorded in a fixed asset ledger for inventory?				
58	Are all assets tagged?				
59	Are assets that are transferred to a different location, lost, stolen or obsolete properly tracked, identified and reported?				
60	Does the charter school ensure that only allowable, preauthorized expenses are paid from school funds?				
61	Does the charter school use prenumbered purchase order forms that are dated and approved before items are purchased?				
62	Are copies of signed purchase orders retained?				

Internal Controls Checklist					
		Yes	No	N/A	Comments
63	Are the checkbook and the check stock stored in a locked, fireproof safe that is bolted securely to the ground?				
64	Are two signatures required on all checks?				
65	Are checks made to vendors and employees only, not to cash?				
66	Are expenses paid only when preapproval has been obtained and when there is an original invoice and a document that verifies that the goods were received?				
67	Are vendor credits applied to the next available payment?				
68	Are all invoices matched with printed checks or other payment documents and stamped as paid to avoid duplicate payments?				
69	Are vendors and suppliers evaluated for quality of service, license and insurance status, and value received?				
70	Are prepaid expenses identifiable, tracked, and reconciled to the accounting records?				
71	Are all asset accruals, such as receivables, recorded based on accurate and detailed documentation and reconciled to the accounting records?				
72	Are grants and donations that include restrictions properly recorded and reconciled to the accounting records?				
73	Does the business office's sales tax report include sales and use tax when applicable?				
74	Is there a log that identifies all individuals who have access to the school safe?				
	_____ _____ Signature Date				

In addition to having sound internal controls, a charter school should control access to the business office where transactions are processed (e.g., the bookkeeper's office). Easy or uncontrolled access to the business office creates the opportunity for fraud. At the same time, however, the charter school's business office should be sufficiently accessible to conduct business and meet customers' needs. Access should be controlled, especially during times of heavy traffic. A split door is one solution that allows questions to be answered without granting easy access to the office.

Strong internal controls help increase both the actual and perceived likelihood of detecting fraud. Those who believe they are likely to be caught committing fraud are usually less inclined to do so. Limiting access, and installing surveillance cameras with warning signs, can create strong deterrents.

Fiduciary Responsibilities

A fiduciary duty is the highest standard of care. The person who has a fiduciary duty is called the fiduciary, and the person to whom he or she owes the duty is typically referred to as the principal or the beneficiary. (Source: https://www.law.cornell.edu/wex/fiduciary_duty)

A fiduciary also may be a person who holds a legal or ethical relationship of trust with one or more other parties (person or group of persons). In other words, a fiduciary takes care of money or other assets for another. Although the board and all employees in the charter school have some responsibility for internal control, the executive director, board and other key management personnel have a higher ethical standard, fiduciary duty and responsibility to safeguard the assets of the school. The Cornell Law source cited above further describes several components of fiduciary duties, which FCMAT summarizes and applies to LEAs as follows:

> Duty of Care: Before making a decision, collect all evidence and information available. Do your due diligence and review all the information and evidence available – do not just accept the information as it is presented. Assess information with a critical eye and ask the questions: who? what? when? and where? A fiduciary's responsibility is to protect the assets of the LEA.
>
> Duty of Loyalty: You cannot use your position in the organization to further your private interests. Avoid anything that might injure the LEA.
>
> Duty of Good Faith: Advance the interests of the LEA. Do not violate the law. Fulfill your duties and responsibilities.
>
> Duty of Confidentiality: Keep confidential matters confidential and never disclose confidential information for your own benefit or to avoid personal liability.
>
> Duty of Prudence: Be trustworthy, with the degree of care and skill that a prudent board member, member of management, or fiduciary would exercise. Prudent means acting with wisdom and care, including exercising good judgment.
>
> Duty of Disclosure: Act with complete candor. Be open, sincere, honest and transparent. Disclose all financial interests on Form 700, Statement of Economic Interests.

Commingling of Funds

Commingling

To commingle is to join or mix two or more items together. Commingling of funds can often have negative connotations and can be considered a material violation of an approved charter because it violates generally accepted accounting principles (GAAP) or generally accepted auditing standards (GAAS). However, mixing or joining funds does not necessarily mean that the origins, identity, sources and uses of the funds are lost. If the origins, identity, or source and use of the funds can be traced, audited and documented, the commingling of funds may not violate GAAP or GAAS and therefore may not be a material violation of the approved charter.

Nonprofits that operate multiple charter schools, or individual charter schools that have multiple school sites, may be perceived incorrectly to be commingling funds when resources are shared between schools. Funds can be mixed, or shared, between sites, but still be distinguished from one another if they are accounted for properly using accounting methods that track the sources and uses of funds between

entities. This is similar to how traditional school districts commonly track and account for interfund loans and transfers under a single district federal identification number.

Blending

When commingling leads to blending of funds, the funds' origins, identities, or sources and uses are lost, and the elements of the transaction disappear in the resulting mixture. This may be considered a violation of the GAAP matching principle, which requires matching the source of funds with the use of funds. If the funds' sources and uses cannot be tracked and/or matched and the funds' origins, identities and purposes cannot be confirmed, the funds are blended and the transactions are not auditable.

If funds are commingled to the extent that they are blended and not auditable, it is a violation of GAAS's third standard of fieldwork, which states the following:

> The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.

Sufficient appropriate audit evidence is described in the statement of auditing standards (SAS), which the auditing standards board redrafted into professional standards that include AU Section 326, Audit Evidence (source: SAS No. 106), which states in section .06, Sufficient Appropriate Audit Evidence:

> *Sufficiency* is the measure of the quantity of audit evidence. *Appropriateness* is the measure of the quality of audit evidence, that is, its relevance and its reliability in providing support for, or detecting misstatements in, the classes of transactions, account balances, and disclosures and related assertions.

If the auditor cannot obtain sufficient and appropriate audit evidence to support the commingled funds' sources and uses, those funds are blended and therefore not auditable, which means the auditor will not be able to express an opinion on the charter school's financial statements as a whole. If this is the case, the result may be a qualified audit opinion, and it may constitute a material violation of the approved charter.

Commingling versus Blending

Commingling does not necessarily result in blending. Charter schools with multiple school sites often loan funds and share resources between schools, resulting in the commingling of funds, yet the identity, origin, and source of funds are verifiable and auditable, so blending does not occur.

Most modern bookkeeping software can track the identity, origin, and source of interfund, interschool and interdepartmental loans, transfers and other commingling transactions sufficiently to avoid the blending of funds.

Charter schools should have a policy that prohibits commingling funds to such an extent that they become blended. The policy should allow funds to be shared or loaned only among a related group of charter schools operating under a single nonprofit with one federal identification number. In such a case, the charter school would need an interfund transaction policy and procedure that defines how interfund transactions should be processed and recorded.

A policy on commingling of funds should state:

> The charter school prohibits commingling funds to such an extent that the funds become blended. Interfund, interschool, or interdepartmental loans and due-to and due-from transactions are allowable. For purposes of this policy, blending means that the identity, origin, and source of the funds are lost or unidentifiable.

If there is no intent to share resources between related charter schools operated by a nonprofit, the charter school's policy should state:

> Each charter school will operate as a financially independent entity; therefore, interfund, inter-school or interdepartmental loans and due-to/from transactions are prohibited.

Potential Financial Fraud and Misconduct

A strong, organization wide and management-led ethical culture should be pervasive in the charter school. Management has the responsibility to implement strong internal controls designed to prevent and deter fraud and misconduct.

Black's Law Dictionary defines fraud as follows:

> All multifarious means which human ingenuity can devise, and which are resorted to by one individual to get an advantage over another by false suggestions or suppression of the truth. It includes all surprise, trick, cunning or dissembling, and any unfair way by which another is cheated.

Misappropriation is a form of fraud, and *Black's Law Dictionary* defines it as follows:

> A term that describes the taking of money that has been entrusted into your care unlawfully.

Merriam-Webster's Collegiate Dictionary defines misappropriate as follows:

> to appropriate wrongly (as by theft or embezzlement)

Black's Law Dictionary defines misconduct as follows:

> Any unlawful conduct on the part of a person concerned in the administration of justice which is prejudicial to the rights of parties or to the right determination of the cause; as "misconduct of jurors," "misconduct of an arbitrator." The term is also used to express a dereliction from duty, injurious to another, on the part of one employed in a professional capacity, as an attorney at law.

Merriam-Webster's Collegiate Dictionary defines misconduct as follows:

> 1: mismanagement esp. of governmental or military responsibilities 2: intentional wrongdoing; *specif*: deliberate violation of a law or standard esp. by a government official.

Fraud and misconduct should be taken seriously. Fraud can occur at any level of an organization, including employees, parents, officers, consultants, vendors, contractors, funding sources and others. Any suspected or detected fraud or misconduct should be reported immediately to an employee's supervisor. If the supervisor is the suspect, the suspected fraud should be reported to the next management level up and so on, all the way up to the governing board if needed.

Fraud or misconduct may include, but is not limited to, the following:

- Any dishonest or fraudulent act.
- Forgery or alteration of any document or account.
- Misappropriation of funds, petty cash, savings, ASB funds or trust funds, securities, supplies, equipment, or other assets.
- Misconduct or impropriety in the handling or reporting of money or financial transactions.
- Disclosing of confidential or proprietary information to outside parties without approval.

- Accepting or seeking anything of material value from contractors, vendors, or persons providing any goods or services.
- Shredding, erasure, destruction, damage, removal, or inappropriate use of records, furniture, fixtures or equipment.
- Improper employee behavior, such as immoral or unethical conduct.
- Any similar or related irregularity.

Reporting Method

Any investigation of fraud or misconduct should be performed confidentially and with great care to avoid mistaken accusations or alerting suspected individuals that an investigation is underway.

Any individual who reports suspected fraud or misconduct should remain anonymous. If there are any inquiries about the activity under investigation from the suspected individual(s), the individual's attorney or representative(s), or any other inquirer, those parties should be directed to the governing board, board designee, or legal counsel. At no time and under no circumstances should any information about any investigation be disclosed. The proper response to any inquiry is, "I am not at liberty to discuss this matter." Under no circumstances should any innuendo, remark, indicative physical gesture, or other reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other such reference.

The individual who reported the suspected fraud should be instructed not to contact the suspected individual(s) in any way, nor to discuss the case, facts, suspicions or allegations with anyone unless specifically asked to do so by the charter school's board, board designee or legal counsel. This protects the employee, because they could be asked to testify against the suspected individual in the future.

Check Signing Authority

Charter schools should assign check signing authority to at least three individuals. The number of authorized signers should be kept to a minimum, while ensuring that daily business is not unnecessarily hampered. Authorized check signers should not include staff members who process vendor payments or payroll, write checks, or perform any other tasks associated with cash disbursements. The school's fiscal policies and procedures should require two signatures on all checks. Unless compensating controls are in place, only actual signatures should be used (no signature stamp).

Authorized Check Signers

The governing board should approve a formal list of those authorized as check signers. Normally the CEO, CFO, and one other reliable charter school management employee are named as authorized signers for each bank account. Depending on the school's needs, the governing board may also assign dollar limits to establish classes of check signers. For example, the CEO and CFO (class one) may sign checks with no dollar limits, and the other designated signers (class two) only checks that do not exceed $5,000.

Each designated signer should be a trusted individual but does not have to be an employee; for example, a governing board member may be identified as an authorized signer.

The CFO or CFO's designee should maintain a log of authorized check signers for each bank account. The log should include each check signer's name, start and end date, and signing class if applicable.

Adding or Changing Check Signers

Charter school management should present the list of authorized check signers to the governing board annually (at the start of the calendar or fiscal year); however, the governing board may revoke check signing authority at any time for any reason. Such notification should be in writing, and the CFO should ensure the charter school's banks are notified whenever authorized signatories are changed.

Bank Account Reconciliations

Bank account reconciliations are a critical internal control tool to prevent and detect fraud and should be prepared and reviewed monthly for all charter school bank account transactions. Simply put, the process reconciles the school's general ledger cash account balances to the bank account balances as reflected in the bank statement. By identifying the differences between the two account balances, bank reconciliations help detect accounting and banking errors.

Usually, the bank statement date is the last day of the month; however, regardless of when it falls, the bank statement date is the date to which the bank and general ledger cash account balances are reconciled.

The reconciliation process ensures that transactions in the bank statement, such as bank fees and interest earnings, are recorded in the general ledger; ensures that checks and deposit amounts agree between the bank statement and the general ledger; and ensures that the checks and deposits that are recorded in the general ledger but have not yet cleared the bank account are identified.

Business office staff should complete bank reconciliations, preferably within two weeks after receiving a bank statement. Most charter schools can access bank statements online and process reconciliations within a few business days of the end of the month. To ensure proper segregation of duties, the individual who prepares the bank reconciliation should not be involved with any cash transactions. The CFO or the CFO's designee should review every completed bank reconciliation. Both the staff member who prepared the reconciliation and the CFO or designee who reviewed it should sign and date the reconciliation.

Manual Bank Reconciliation

A manual bank reconciliation starts with the ending bank statement account balance and the general ledger cash account balance for the month, which are adjusted and reconciled according to the following procedure:

1. List any deposits in transit that have been made but not yet recorded by the bank, and add the total to the bank balance; next,
2. List all checks that have been written prior to the bank statement ending date but have not cleared the bank, and deduct the total from the bank balance; then,
3. Ensure that all transactions in the bank statement, such as fees and interest, are recorded into the general ledger; and
4. Verify that the total adjusted ending bank statement balance reconciles to the adjusted general ledger cash account balance.

In some cases, a discrepancy may be caused by an incorrect entry of bank fees or interest, an inadvertent clearing of a check or deposit that has not posted in the bank account, or other errors. Any difference between the two adjusted balances should be researched and corrected as part of the reconciliation process.

A sample bank reconciliation worksheet can be downloaded in Microsoft Word format by clicking here.

Electronic Bank Reconciliation

An electronic bank reconciliation follows the same procedures as described above for a manual reconciliation, but the accounting software performs the calculations.

When using accounting software to perform the bank reconciliation, the computer will automatically display a list of all items that have been posted to the cash account but not cleared in the previous month's reconciliation. The computer screen is usually divided in half, with one half showing a list of all deposits and items that increase cash, and the other half showing a list of all checks and other charges that reduce cash.

Rather than manually listing and clearing check and deposit transactions, staff can reconcile within the software by checking off those transactions that agree with the bank statement. Once this work is completed, the remaining (i.e., not checked) entries are the outstanding checks and deposits processed after the statement ending date.

After the bank reconciliation is completed, a report should be printed that shows the reconciliation details, including outstanding checks and deposits in transit. The bank reconciliation and its supporting detail reports should be printed and attached to the reconciliation cover page.

Vendors, Checks, Reimbursements and Advances

Fraud can occur with vendors, checks, reimbursements and advances even though they require multiple signatures, receipts or other verification.

As with all types of payment schemes, once a fraudster is able to conduct the fraud and remain undiscovered the first time, it is easier to continue the fraud because supervisors and those who review transactions now view the vendor, services or expense as normal and thus question those transactions less often or not at all.

Vendors

When cash controls and authorization procedures are weak or nonexistent, an unauthorized vendor can be added to the payee lists, fictitious invoices for products or services can be created, and money can then be taken from the charter school's bank accounts.

For purposes of this discussion, vendors include suppliers, contractors and consultants. Vendors should always be vetted thoroughly; this includes obtaining and checking their references. Charter schools have experienced many types of vendor fraud, including the following:

- Vendors may give the business office a completed W-9 form using another vendor's federal identification number and may not be who they claim.
- Vendors may claim they have the required licenses when they do not. Services performed by an unlicensed vendor may result in the charter school being liable, even to the extent that it may be sued or may have funding for certain programs revoked.
- A vendor may have an inside co-conspirator; this could be a family member, a friend, someone in a senior management position, or even an individual over whom the vendor has some form of leverage. This vendor may be a verifiable business that may or may not provide other legitimate services, or may be a shell company designed solely to extract money from the charter school. In such cases the vendor often charges inflated prices for supplies or services, or even provides no product or service, and the co-conspirator approves the vendor invoices and the fraudulent payments are processed.

- Shell companies can be designed by charter school staff who buy supplies from a legitimate vendor and then resell the supplies to the charter school at excessive prices.

The following actions can help prevent vendor fraud:

- Separate verification of merchandise received.
- Random product price verification.
- Background checks on vendors.
- Verification of vendors' licenses.
- Reviews of deliverables and invoices for products and services.
- Reference checks.
- Random visits to a vendor's place of business.

Personal Purchases with Charter School Funds

Disguising personal purchases as purchases of supplies, merchandise, or as payments for property tax, insurance or rent, is a common fraud scheme. Charter schools can also be defrauded when common supplies such as paper, ink and janitorial products are taken home for personal use.

Large supply purchases may include uncommon line-item personal purchases such as work boots or even watches. Property tax or rent payments for multiple school sites can easily include an additional tax assessment or additional rent check paid directly to a staff member's property tax account or landlord.

Checks

Fraudulent vendors and services with credible looking invoices and business names can present invoices for payment. Checks can be altered by removing the legitimate payee's name and inserting another. These are common types of fraud.

Check Altering

In more sophisticated check altering schemes, someone will obtain the proper authorizations and purchase orders for a check, then the office manager, bookkeeper, or other person in control of the check will remove the payee's name and insert their own.

Increasingly, banks are including electronic copies of checks with the account statement rather than the original checks. Extra care must be taken to confirm that the payee on the check is the same as that listed on the check register. Confirming who endorsed a check helps establish the chain of custody.

When original checks are returned with bank statements, there is the potential for a perpetrator who has sole custody of the returned checks to alter the checks again to restore the original payee's name and thus avoid detection of the prior check-altering fraud.

If it is not cost-effective to separate the duties related to bank statement reconciliation between two or more employees, the charter school administrator or a designated business office staff member should examine the returned checks for fading and other signs that a payee has been altered. The digital copies of checks printed in the bank statement should also be compared periodically with the cleared check register, and the endorsements on the reverse side of the checks verified.

Reimbursements

With reimbursements, two types of fraud can occur: the person receiving the reimbursement can falsify the reimbursement request, or the amount of reimbursement can be altered and cash stolen. The first type of fraud, falsifying a request, is more common.

Every receipt and every line item of a request for reimbursement should be confirmed. Original itemized receipts should be presented.

The second type of fraud, altering reimbursements, is less common but is usually perpetrated by managers, business office staff, or someone with access to petty cash, the accounting software, and the completed reimbursement form. The perpetrator typically does the following:

- Pulls the completed reimbursement form from the payee file, adds expenses that do not have backup documentation, and increases the cash advance.
- Pockets the amount of the cash increase and alters the accounting records to show the new, larger cash advance total.

Advances

Like all cash transactions, cash advances attract more fraudulent activity than noncash advances (e.g., advances by check). Cash advances should occur only if charter school policy allows them. It is best practice for cash advances not to occur.

Fraud

Every year FCMAT is called upon to perform Assembly Bill (AB) 139 extraordinary audits, also known as fraud audits, on LEAs in which fraud is suspected. The reasons for fraud and its methods vary, but fraud is occurring in school organizations. An AB 139 audit must be requested by a county office of education, pursuant to Education Code Section 1241.5(c), which states the following:

> At any time during a fiscal year, the county superintendent may review or audit the expenditures and internal controls of any charter school in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The review or audit conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner. The county superintendent shall report the findings and recommendations to the governing board of the charter school at a regularly scheduled meeting, and provide a copy of the information to the chartering authority of the charter school, within 45 days of completing the review, audit, or examination. The governing board of the charter school shall, no later than 15 calendar days after receipt of the report, notify the county superintendent and its chartering authority of its proposed response to the recommendations.

County superintendents often call upon FCMAT to conduct such audits. If a county superintendent then determines that fraud, misappropriation or other illegal fiscal practices may have occurred, he or she will report this determination to the district attorney.

Charter schools have potential for fraud because compared to traditional public schools they may have less oversight, less regulation, fewer staff (and thus more overlapping duties), and staff with less formal accounting experience. In addition, like other schools, charter schools receive cash and often lack internal controls.

In any organization, regardless of size, four elements increase the chances that fraud will occur: incentive or pressure, opportunity, capability, and rationalization or attitude. These four factors are known as the fraud diamond, and all four are usually present when fraud occurs. No program or person is immune to fraud. A person who is honest today can experience change or new circumstances that may make fraud an option for them tomorrow.

The purpose of internal controls is to help protect individuals from situations in which all elements of the fraud diamond are present. Strong checks and balances on vendors, good cash controls, and managerial and governing board oversight can all limit the incentive, opportunity, capability and rationalization that make fraud more likely, and prevent individuals from doing something they may otherwise never have considered.

If fraud does occur, strong internal controls can also help identify the suspect and exclude from suspicion innocent individuals who may be wrongfully accused, in some cases by the actual thief. Controls can also provide a document trail to help quantify the loss and to limit ongoing losses.

The following sections discuss the various types of fraud found in school organizations, including charter schools. This is not a comprehensive list of every possible type of fraud, but is designed to give examples of what may occur if internal controls are weak or otherwise lacking. In all cases, a school's managers and leaders are responsible for designing, implementing and monitoring best practices for internal controls to prevent and deter fraud and to prevent staff from being falsely accused of fraud.

Whistleblower Hotlines and Fraud Reporting Websites

All charter schools should consider establishing or becoming part of an independent third-party whistleblower hotline and/or a web-based fraud reporting service to make it easier for staff to communicate issues they encounter, and to communicate to staff that there is a mechanism for reporting fraud. The creation and/or use of fraud reporting services is essential to establishing an understanding that there is a likelihood of being detected if fraud is committed. Fraud experts believe that the greater the perceived probability of detection, the less likely it is that fraud will occur; people who think they might get caught committing fraud are less likely to try.

Fraud Investigations

All allegations of fraud or misconduct should be treated and examined confidentially. The governing board or its designee, such as the finance and audit committee, has the primary responsibility for investigating all allegations of fraud or misconduct. The results of any investigation should be discussed only with those who have a need to know.

All investigations into suspected fraud should begin with the presumption that there is an error so that no one will jump to a conclusion and possibly damage the reputation of the individual or individuals suspected before all of the allegations and facts have been investigated completely and objectively.

The governing board has the authority to use all reasonable and legal means needed to carry out an investigation. This includes free and unrestricted access to all records and facilities, and the authority to examine, copy or remove the contents of computers, files, desks, cabinets or other storage facilities without the prior knowledge, notice or consent of anyone responsible for the custody or oversight of such records and facilities.

If an investigation indicates that fraud or misconduct may have occurred, a report should be issued and decisions made regarding disciplinary action, referral to law enforcement, or other action. All decisions

to refer the investigation results to the appropriate law enforcement and/or regulatory agencies for independent verification and investigation should be made in consultation with legal counsel and senior management unless they are themselves the subject of the referral and investigation.

Education Code Section 1241.5(c) permits a county superintendent of schools to review or audit the expenditures and internal controls of any charter school in the county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. This is known as an AB 139 extraordinary audit or review.

The purpose of an extraordinary audit is to determine if sufficient evidence exists that fraud, misappropriation of funds, or other illegal fiscal practices may have occurred, and to document the findings for referral to the local district attorney's office and further investigation by law enforcement if needed.

The existence of fraud, misappropriation of funds and/or assets, or other illegal fiscal practices is solely the purview of the courts. Should an AB 139 extraordinary audit or review conclude that there is sufficient evidence to demonstrate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred, these terms are a broad legal concept, and auditors do not make legal determination regarding whether illegal activities have occurred.

In accordance with Education Code Section 42638(b), action by the county superintendent of schools shall include the following:

> If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent shall notify the governing board of the charter school, the State Controller, the Superintendent of Public Instruction, and the local district attorney.

In accordance with Education Code Section 1241.5(c), the county superintendent is required to report the findings and recommendations to the charter school's governing board at a regularly scheduled board meeting, and provide a copy of the information to the chartering authority of the charter school, within 45 days of completing the audit. Within 15 days of receipt of the report, the governing board of the charter school is required to notify the county superintendent and its chartering authority of its proposed actions regarding the county superintendent's recommendations.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to awarding agencies, should be considered.

Theft

The opportunity for theft exists when advances are not documented with signatures, initials next to a line item on the reimbursement form, and an advance log that requires signatures.

To guard against cash advance fraud and to protect innocent parties, a charter school should ensure that the cash advance amount is written on at least two separate documents, or on a multiple-copy document, and require that the recipient sign both documents and initial the cash advance amount. This makes it more difficult for a potential perpetrator to alter the cash advance amount, and it protects the bookkeeper from allegations that he or she issued a different cash advance amount.

Fictitious Advances

Although completely false, a fictitious cash advance may have documentation and is usually booked to an unsuspecting staff member who does not check their monthly financial report. For example, a dishonest

bookkeeper could take $60 from cash and record it as an advance or a petty cash expense for a certain club. If the staff member does not check the financial report monthly, he or she is unlikely to remember or recognize that the $60 advance was not used for club purposes. This is particularly true for relatively small amounts, especially when the transaction is one of many.

Falsifying Attendance

Charter schools receive their funding based on their students' average daily attendance. If student attendance is declining, staff who understand that each student absence creates a loss of revenue may falsify attendance records. The perpetrator may be an administrator, attendance clerk, teacher, or other staff member with access to such records.

There are many types of attendance software, but all can be manipulated. Attendance recording starts with teachers, who take attendance either electronically or using a manual form. The attendance from the teachers is then entered, or summarized electronically in the attendance software. Managers should perform periodic internal attendance reporting verification to ensure that attendance is reported accurately and not modified except for legitimate corrections.

Fundraising and Deposits

There are five main points at which fraud may occur at a fundraising event:

- **During a fundraising event**. If no one monitors how funds are collected, safeguarded and accounted for, cash can be taken and will be untraceable.

  Without proper cash controls or safeguards, allegations of fraud can and often are made against an innocent and unsuspecting staff member or volunteer.

  Recommended Preventive Measure: Always monitor and safeguard cash collections during events.

- **After the fundraising event but before the money is taken to the bookkeeper**. A lack of cash controls that results in a staff member or volunteer counting the cash alone is problematic and should not be allowed. Cash should always be counted in the presence of at least two people so there are witnesses.

  For example, consider a fundraising event at which people believe approximately $2,000 was raised but a staff member counted the cash alone, without witnesses, and says only $1,100 was raised, so that is the amount deposited. After the event someone asks how much money was raised and is surprised when they are told $1,100 was deposited. They then become suspicious because they worked at the event and feel much more should have been raised based on the number of attendees. Questions and allegations follow, and the reputation of the staff member who counted the cash alone is at stake with only his or her own word to defend it.

  Cash controls are meant to protect people more than to catch a thief. Every year many staff members, volunteers, bookkeepers and others are accused of stealing cash when differences exist. If a charter school does not enforce strong cash controls, including witnesses and appropriately completed forms, these individuals' defenses are limited to their word.

  Recommended Preventive Measure: Never allow money to be counted by only one person. Ensure that money is always counted in the presence of a witness, and that both witnesses sign and date the cash count form.

- **After the cash is counted but before it is taken to the bookkeeper**. After a fundraiser, often one individual is given custody of both the cash and the only signed and witnessed cash count form, which

may be placed in a desk or locked file cabinet overnight, or put in the trunk of an individual's car, or delivered to the business office. That individual may realize there is an opportunity to remove cash on the way to the business office. Proper procedures are needed to provide controls, including retention of duplicate cash count forms, and clear rules about where deposits may be placed after a fundraiser but before being brought to the bookkeeper. Money should never be placed in a desk drawer, locked file cabinet, or trunk of a car. All money, and the cash count form, should be delivered immediately to the bookkeeper and kept in a locked safe that is bolted securely to the ground.

- Cash kept in desk drawers or file cabinets is not secure and can be lost or stolen easily, sometimes after the person who placed it there forgets about it. These types of practices unnecessarily make everyone a potential suspect, placing honest individuals, including school employees, volunteers and students, at risk of suspicion, rumors and accusations, simply because the money was not properly deposited with the business office bookkeeper.
- Without proper cash controls, the real thief can also easily blame someone else for the theft.
- Honest staff, bookkeepers and volunteers have put cash in their car with good intentions, then forgotten about it, then had it stolen. Imagine this happening at a car wash with $10,000 left in the vehicle's trunk from the sale of fundraising gala tickets designed to benefit charter school students. Some employees have also intentionally left cash in their car for weeks to see if anyone noticed the missing cash or deposit. The longer the missing cash goes unnoticed, the braver the potential thief becomes and the greater their sense of ownership of the cash.
- After the money is counted in the presence of a witness and the cash count form is completed and signed by both witnesses, individuals sometimes do not make multiple copies of the cash count form for their own records; instead, they give the deposit and the only cash count form to another individual for delivery to the business office bookkeeper. Subsequently, the bookkeeper receives a deposit that is less than the individual who counted it remembers or less than they notated and signed off on the form. The bookkeeper, appropriately, refuses the deposit to avoid being blamed for the discrepancy, while the person delivering the deposit to the bookkeeper claims to have only received the amount they delivered for deposit and/or claims they never saw a cash count form.

  Without a copy of the cash count form signed by the counter of the funds and at least one witness, there is no recourse in this situation.

Recommended Preventive Measures: Always use a cash count form, and ensure that it is signed and dated by the individual responsible for the cash and by a witness. Make multiple copies of the completed cash count form, and always keep at least one copy in a safe place, separate from the copy sent with the deposit. Whenever possible, have two people transport a deposit to the school safe. If one person must transport the deposit, it should be one of the individuals who counted the money. The business office and each school must establish after-hours cash security procedures so cash and checks can be stored safely in a locked bag in a safe until the amounts can be counted or verified with the business office or school bookkeeper (also with a witness).

- **After the deposit reaches the business office bookkeeper**. Trusting a helpful bookkeeper, some individuals send the bookkeeper their only copy of the cash count form and do not count the cash again with the bookkeeper. In other cases the bookkeeper is absent, so individuals simply leave the deposit on the bookkeeper's desk.

  Each of these actions eliminates fundamental controls and allows a dishonest bookkeeper unchecked control of the deposit. The bookkeeper is able to swap cash and checks within multiple deposits to

take the cash, take as much of the cash deposit as they want and change the amount(s) on the cash count form, or take the entire deposit and say they never received it.

This type of fraud has occurred in numerous schools. Without documentation to show the chain of custody, there is little or no recourse.

A common scheme for dishonest bookkeepers is to take a deposit that is part cash and part checks (e.g., $400 in cash and $550 in checks), wait for another deposit equal to or greater than the amount of the first deposit that contained checks ($550), then swap the check deposit with the same amount of the later cash deposit. Thus one deposit is used to cover for another deposit, and it is hard to reconcile because of timing.

Neglecting to count the money with the bookkeeper can also leave an honest bookkeeper open to accusations of theft or fraud. A bookkeeper may be trusting enough to accept a deposit even if the staff member, volunteer or other individual is too busy to count the money with them. If there is a difference in the deposit because of an error caused by fatigue or haste on the part of the depositor, it may look as though the bookkeeper committed fraud even though they did not. For example, if the depositor, even though fatigued at the time, is sure they counted a certain amount (e.g., $2,520) but the bookkeeper counted a lesser amount (e.g., $2,250), there is no way to prove or disprove what the correct amount should be. Because the bookkeeper counted a lesser amount, they could be accused of theft and would have no alibi, no witness and no help to prove otherwise.

Recommended Preventive Measures: Always keep a copy of the completed and signed cash count form. Always count the cash in the presence of the bookkeeper, and document this second count. When the cash and checks are retrieved from the safe, the bookkeeper should issue a receipt for the cash and checks, but only after the two individuals (the volunteer, staff member and the bookkeeper) have counted the dollar amount together and recorded that amount on the receipt. If the volunteer or staff member is not able to count the funds with the bookkeeper, another individual should be chosen to do so; the bookkeeper should never count funds alone.

- **When receiving startup cash for change**. Some events require a cash box containing cash to make change.

  For example, if the bookkeeper has the person checking out the cash box sign a form that acknowledges receipt of $400 in startup cash for change, but the money is not counted when they are both present, the person could end up with less money than stated on the form (e.g., $300) and as a result be held accountable (i.e., be blamed) for the difference.

  If the bookkeeper places startup money in the cash box but fails to document it with a cash count form signed by both parties, and then cash is stolen or miscounted for any reason, or the individual receiving the startup funds incorrectly identifies a smaller amount than was actually provided, the event will receive less revenue than expected, and someone may be accused of wrongdoing rather than simply committing an error.

  Recommended Preventive Measures: Always have both the bookkeeper and the person receiving the startup cash count the money together and document this count with signatures signifying agreement regarding the amount.

  Ensure that the bookkeeper keeps a startup cash log and requires everyone who receives startup cash to sign it signifying that they have counted the startup cash together with the bookkeeper and that they agree regarding the amount. Failure to keep such a log creates the potential for simple errors that can result in allegations of wrongdoing.

Kickbacks and Pay-to-Play

A kickback is money paid to someone for steering business to an individual or business. For example, a charter school's executive director may be approached by a vendor with an offer to pay the executive director in cash a percentage of the business earned. This is a kickback. Often, after the vendor has paid the executive director the kickback, and to the surprise of the executive director, the vendor begins charging even more inflated prices, and the quality of services declines. When the executive director questions the vendor, the vendor gives the executive director a choice: continue paying and receiving the kickback or the vendor will show the public the video taken of the kickback and pretend the vendor was uncovering corruption at the charter school. Often the kickbacks continue.

Charter school purchasing managers or business office managers are often presented with extra sample products, gifts, event tickets, or travel opportunities as a way to say thank you for the business. These are forms of kickback. Charter school managers should never accept gifts of any kind from those with whom the charter school does business or may do business.

Pay-to-play is another form of kickback, initiated by the potential recipient: a dishonest manager will explain to a prospective vendor that the vendor must pay the manager if they wish to conduct business with the charter school. Managers who engage in pay-to-play often find the tables turned later when the vendor increases prices as in the other kickback example, then threatens to expose the manager if the manager does not pay the inflated charges.

Pay-to-play can also occur when managers or staff members in authority extort kickbacks from other charter school employees. For example, a manager has extorted charter school bus drivers by requiring them to pay the manager some cash each month to keep their job.

Fictitious Employees and Payroll Tax Fraud

Almost all charter schools use an electronic payroll process, and most use an outside payroll service. When an independent service performs payroll functions electronically, charter school employees often have a false sense of security and believe that internal controls for payroll cannot be breached. However, with current technology it is not difficult for perpetrators to create and pay a fictitious employee.

For example, during one fraud audit of a charter school, FCMAT found that a fictitious employee had been created and continued as a salaried employee at the charter school for several years. Further examination revealed that the perpetrator was a charter school administrator who had taken over the identity of another person, authorized the employee, and was collecting the pay.

Every employee should be evaluated annually. No one should be able to authorize an employee for payroll or other purposes without several layers of verification. The best preventive measure is to ensure that the human resources and hiring functions are separate from the payroll functions and that the human resources and payroll departments reconcile their employee and pay information separately.

Whether it prepares its own payroll or uses a service, a charter school is responsible for paying and remitting to the government all employee and employer payroll taxes. Perpetrators of payroll tax fraud set up fictitious accounts and funnel the payroll tax amounts to them rather than paying the government.

External payroll services are not immune to payroll and payroll tax frauds: their employees may set up fictitious employees or divert payroll taxes to other accounts because they know the charter school business office is inattentive or inexperienced.

Chapter 8 – Payroll

Applicability of the California Labor Code

The question as to whether California Labor Code applies to charter school employees remains unclear. As a result of certain recent legal (Hansberger & Klein, October 2017) and court opinions (Gateway Community Charter School v. Heidi Spiess - 9 Cal. App. 5 499, March 2017), many charter school legal teams have advised their clients to pay all personnel, both exempt and nonexempt, twice monthly on the 15th and last days of the month. FCMAT encourages LEAs to work closely with legal counsel regarding the timing of payroll processing, due to the risk and cost that may be involved in addressing a wage claim with the California Department of Industrial Relations, Division of Labor Standards Enforcement.

More detailed information on this topic can be found in a March 2018 Fiscal Alert -- Charter Schools and the Applicability of the California Labor Code -- available on the FCMAT website at https://www.fcmat.org/fiscal-documents.

Charter School Support Organization Donations for Hiring Employees

To ensure that no conflict exists, charter school support organizations, such as parent organizations and booster clubs, must obtain permission from the charter school's business and human resources offices to hire any charter school employee or any other individual to serve as an employee of the support organization in a role that assists the charter school, such as coaching sports.

Procedures for Support Organizations to Pay for Personnel

If a support organization (i.e., parent organization or booster club) decides to provide funding for additional charter school personnel, those personnel must be hired by the charter school, not the support organization. These positions are often temporary and subject to funding from year to year. The support organization must inform the charter school site principal about the position(s) they want to fund so the charter school has sufficient time to approve and process the position as follows:

- The school site principal must decide whether they support the type of position being considered; if the principal supports the position, he or she then must consult with and obtain approval from the charter school's business office and human resources department regarding the legality of hiring for the proposed position and whether adequate funding exists to do so.
- Upon approval from the human resources department, the principal will complete a personnel requisition and forward it to human resources for processing.
- The charter school's business office will collect and deposit the donation from the support organization for the total cost of the employee, including the employee's pay and any benefits, reimbursed costs, or any other costs.
    - If the support organization employee works additional hours or earns additional units of compensation as described in the personnel requisition, the charter school's business office will invoice the support organization for the additional employee costs, and payment shall be due immediately to the charter school's business office.

- The employee will be hired through charter school's normal process, subject to all rules and regulations imposed by the charter school's human resources department and state and federal law.
- The employee is not authorized to perform any services until after the charter school's governing board has approved the position and the hiring, and the charter school has received the donated funds.
- The employee will not begin work and thus will not be paid by the charter school until after the above procedures have been completed.
    - Payment will be made in accordance with any applicable collective bargaining agreement and in accordance with charter school procedures.

Chapter 9 - Expenditures

Purchasing

The purchasing function in an organization is used when procuring supplies and equipment. The purchasing process begins with a requisition or request for purchase. When a requisition is approved, it becomes a purchase order, which is a formal authorization to purchase. Before the purchasing process can continue, staff must confirm that sufficient funds are budgeted and available for the purchase or expenditure. Some financial systems determine availability of funds automatically and prevent a requisition from becoming a purchase order if funds are not adequate. However, other financial systems have many more manual functions, and thus at some charter schools a person may manually check the budget to ensure adequate funds exist. Regardless of the extent of automation, a purchase requisition should not move forward if adequate funds are not available.

Purchase Order and Purchase Requisition

The purchasing function is considered part of the business office, and its responsibility is to obtain the best possible price and quality for all purchases.

Best practice for purchases that cost more than $5,000 per item is to get three quotes. The purchasing manager should control and review the quotes, then evaluate them with the help of the purchase requester and select the best option. After this, the three quotes should be reviewed, and a recommendation forwarded to the CFO or CEO for final review and decision.

Purchase orders should be made on prenumbered three- or four-part forms. The original signed form should be presented to the supplier, a yellow copy should remain with purchasing, and a pink copy should be given to accounting. If a four-part form is used, another copy may be returned to the purchase originator or to another party as needed. Many financial software systems contain purchase order forms and templates, as does Microsoft Office software; other such forms and templates are available online.

For purchases of less than $5,000 the originating individual or department should prepare a purchase request.

Purchase requests and purchase orders should include the following information:

- Date merchandise or services are required.
- Quantity required.
- Vendor name.
- Complete description of parts or model numbers, and link to vendor's website if available.
- Any drawings or specifications that help further document the purchase.
- Special shipping or receiving requirements.
- Requesting department name and budget account number.
- Special inspection requirements upon receipt.
- Other requirements.

For purchases of the following, the additional information listed is required:

- For airline tickets — each passenger's legal name, date of birth, gender, departure and arrival airport codes, and exact dates of departure and arrival.
- For vehicle rentals — vehicle type, dates of use, and pick-up and drop-off locations.
- For textbooks — full International Standard Book Number.
- For subcontracted services (e.g., consultants, service technicians, and architects):
  - A complete description of the service to be performed — the deliverables.
  - Engineering drawings and specifications if appropriate.
  - Requirements for personnel qualifications and/or licenses.
  - Other documents such as insurance forms and certificates of insurance naming the charter school as additionally insured.
  - Quality standards to be applied.

The business office or purchasing group or department should review the proposed purchasing terms, vendor qualifications, pricing and other factors listed by the requester. Purchasing should notify the requester of any questions, adjustments or differences noted during this review before placing the order.

Reimbursements for purchases made by staff should be processed only after proper authorization is provided and should be made according to the reimbursement guidelines. See the travel guidelines and the expense report preparation and reimbursement guidelines in Chapter 9 for additional policies and procedures regarding reimbursements.

Placing a Purchase Order

The requester of goods or services is responsible for completing a purchase order form for all orders. The purchase order should include details such as inspection requirements and special packaging requirements.

Once the purchase order is approved, orders may be placed with the vendor via mail, telephone, fax, the internet, or in person. When orders are placed in person or by telephone, the vendor contact person and date of order should be noted, and a confirming copy of the purchase order should be sent to the vendor.

The business office or purchasing group or department remains responsible for communicating with those receiving the merchandise and should confirm and monitor shipping and delivery.

Keeping Records

When purchase orders are issued, the purchasing or business office copies should be placed in an open file or logged in an open purchase order list until the items are received. The open file or list should be reviewed weekly to determine whether any orders need follow-up.

The vendor's packing list for received merchandise should be kept where the shipment was received, and check or tick marks should be made on the packing slip to indicate that the items are present.

If a partial shipment is received, all documents should identify the shipment as partially received, and the original purchase order should remain in the open file until all items are received.

Purchase Order Terms

Because a purchase order is a legally binding contract when the supplier, vendor, or service provider accepts it, a charter school should always make sure its purchase orders communicate its request or requests clearly and in detail to avoid confusion.

The purchase order should include terms, deliverables, and any other information needed to complete the purchase successfully. Examples of additional information include:

- **Two copies of the invoice are requested.**
- **Purchase orders entered with the prices, terms, delivery method, and specifications listed.**
- **Immediate notification requested if the item(s) cannot be shipped immediately or as specified.**
- **Contact information – specify the name, address, phone number, and email address).**

A sample purchase order form may be downloaded in Microsoft Word format by clicking here.

Vendor Selection

Ensuring that vendors are properly vetted, documented and inspected, and that they are performing the services agreed upon, is essential to maintaining internal controls for expenditures. Additionally, the charter school should ensure there are no possible conflict of interest violations with potential vendors.

Products and services a charter school purchases should conform to its requirements. The charter school should select suppliers, consultants and contractors that are able to supply the services, products and materials it needs to operate.

Vendor Selection Criteria

New vendors should be evaluated according to the following criteria:

- Pricing

  The vendor's pricing should be competitive, but it should not be the only criteria.

- Capability

  A vendor should be able to demonstrate that it is in good financial standing, has sufficient employees, equipment and facilities to perform the work required, and has the required professional licenses and experience.

- Parts and Deadlines

  The vendor should have access to the required parts and be able to meet the charter school's shipping deadlines.

- Quality Assurance

  The vendor should have an internal quality assurance program such as peer review; preference should be given to vendors that have such a program.

- References and Background Checks

  Sufficient references and background checks should be made and should reveal no problems. This includes searching for lawsuits and proper business licenses and matching the vendor's name and federal identification number. Additionally, in accordance with Education Code Section 45125.1, vendors who may have contact with students shall submit or have submitted their fingerprints in a manner authorized by the DOJ.

- Warranty

Sufficient warranty information should be available, if applicable.

- Federal and State Funding Eligibility

  When applicable, ensure that the vendor is not barred from receiving federal or state funds.

Ongoing Vendor Evaluation

- Are deliveries consistently on time and in good condition?
- Is the quality of services or products consistently high?
- Are their employees and subcontractors professional to work with and knowledgeable about the product or service provided?

Vendor Files

A file should be created and maintained for each vendor and used for significant or ongoing purchasing. The vendor files should be organized alphabetically and should include the following items:

- IRS W-9 Request for Taxpayer Identification Number and Certification (available as a .pdf download from http://www.irs.gov/pub/irs-pdf/fw9.pdf, or in hard copy from any local IRS office).
- State Board of Equalization resale certificates (required only for those that resell their purchases).
- Legal contracts, dealer or marketing agreements, and other such documents.
- Long-term purchase order commitments.
- Proof of insurance (certificates of insurance may be necessary for some services such as consulting).
- Any other relevant correspondence or documentation.

A Form 1099 must be completed for all contractors with reportable services of $600 or more that are not incorporated, and for all lawyers regardless of whether they are incorporated. To determine whether a 1099 must be filed, all nonmerchandise vendors should complete an IRS Form W-9. For more detailed information about Form W-9 and Form 1099 reporting, refer to the section titled “Independent Contractors and 1099 Reporting” in Chapter 6.

Receiving and Inspection

Everything the charter school receives, including supplies, equipment, materials, or components, should go through a receiving process and be safeguarded in inventory.

Receiving and Inspecting Supplies and Materials

The purpose of receiving is to verify that supplies or materials received are in proper order. Typically, supplies or materials from a vendor will be accompanied by a packing slip that indicates the types and quantities of items in a shipment. If there is no packing slip, the vendor’s invoice should be used as a substitute.

Whether the receiver is the business office or someone at a school site, all received supplies or materials should be unpacked, inspected for damage, counted and checked off on the packing slip, and checked against the purchase order to ensure a match. If the packing slip and the purchase order match, the receiver should sign off on the packing slip and forward it to the business office so payment can be processed when an invoice is received.

If any discrepancies are found they should be documented in detail on the packing slip before it is signed, the business office should be notified immediately, and the business office should make the final decision about whether to accept or reject the shipment.

In addition to the packing slip and other shipping documents such as a bill of lading, a combined receiving and inspection log can be used to document the condition of items and other receiving information. A sample receiving and inspection log form may be downloaded in Microsoft Word format by clicking here.

Discrepancies and Rejections

All discrepancies and any rejection of supplies or materials should be documented in detail and on the packing slip, forwarded to purchasing, and followed up on with the vendor.

Any supplies or materials that are damaged or otherwise suspect should be separated from the acceptable items and clearly identified (e.g., with a red tag). The business office or purchasing group or department is responsible for following up with the vendor to discuss the disposition of the damaged or suspect inventory. Disposition options include but are not limited to returning items to vendor for credit or identifying the items as scrap.

All accepted supplies or materials may be stocked or sent to the school site.

A sample receiving and inspection log form may be downloaded in Microsoft Word format by clicking here.

Prepaid Expenses

Prepaid expenses are expenses that result in a future benefit. At the option of the CFO, prepaid expenses may be accounted for monthly, quarterly, semiannually, or at the end of the fiscal year.

Prepaid Rent Example

One example of a prepaid expense is paying the current month's rent of $1,000 plus the next two months' rent (an additional $2,000) all in the current month with one check for $3,000. The first month's rent of $1,000 would be recorded as a rent expense and the remaining $2,000 of the $3,000 check would be recorded in the asset account known as prepaid rent. The $2,000 is an asset because the next two months for which rent has been paid have not yet occurred. As each of the two subsequent months comes about, $1,000 per month will be moved, usually by a journal entry, reducing the prepaid rent account and increasing the rent expense account.

Accounting Treatment for Prepaid Rent

Prepaid expenses with future benefits that will occur within one year from the date of the financial statements should be classified as current assets. Prepaid expenses for benefits that will occur more than one year from the date of the financial statements should be classified as noncurrent assets.

If prepaid expenses are recognized only at the end of the fiscal year, as part of the end-of-year account coding and recording of disbursements, all incoming vendor invoices paid prior to year end should be reviewed for future benefits. If future benefits are identified and payment processed, the payment should be given a prepaid expense account code.

The business office should maintain a schedule of all prepaid expenses that includes the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. The prepaid expenses schedule should be reconciled to the general ledger balance as part of the monthly closeout process.

Employee Relocation Costs

New employees and employees who move to a new location within the charter school organization are often reimbursed for moving expenses if such reimbursement is authorized by the governing board.

If the board has authorized such reimbursement, the CEO should approve and sign an employee relocation costs reimbursement form before any relocation expenses are incurred. When approving a reimbursement for relocation expenses, the CEO should write the maximum amount of relocation expenses authorized in the appropriate space and initial and date the amount. When the employee completes and returns the form, the CEO should sign and date it. A sample employee relocation costs reimbursement form may be downloaded In Microsoft Word format by clicking here.

The following relocation reimbursement limits are often considered standard amounts but are not mandated:

- Intrastate moving: $2,500
- Interstate moving: $5,000
- International moving: $7,500

All expenses identified as reimbursable by the IRS are eligible for reimbursement (see IRS Publication 521, Moving Expenses).

- House Hunting Expenses — This includes all expenses related to travel for the employee and household members.
- Temporary Living Expenses — Expenses incurred for temporary living arrangements while relocating.
- Travel Expenses — Includes cost of transportation, meals and lodging for the employee and household members while traveling.
- Moving of Household and Personal Effects — Includes actual costs of packing, transporting and unpacking household effects; in-transit storage costs; insurance; and moving household pets.
- Auto Shipment — Automobiles used as the primary mode of transportation of the employee and spouse. Automobiles may be driven or shipped. Mileage reimbursement will be provided at the organization's approved rate if automobiles are driven.
- Real Estate Expenses / Early Lease Termination – Any early lease termination charges incurred by the employee from his or her landlord are reimbursable if related to a relocation, contingent on the CFO's review of the employee's lease or rental contract.

Individuals who receive reimbursement for relocation and moving expenses should be aware of any personal income tax implications and should consult a tax professional. For tax years 2018 through 2025, reimbursements for certain moving expenses are no longer excluded from the gross income of nonmilitary taxpayers. (see 2018 Publication 521 (irs.gov)).

If an employee ceases employment with a charter school less than one year after incurring reimbursable relocation expenses, the employee may be obligated to reimburse the charter school for any payments received for relocation. The final decision on whether reimbursement will occur is the CEO's. A sample employee relocation costs reimbursement form can be downloaded in Microsoft Word format by clicking here.

Sales and Use Tax

All charter schools are subject to paying both sales tax and use tax, including those that are exempt from federal income tax under IRS Code Section 501(c)(3) and from state income tax under Section 23701.

California's sales tax generally applies to the sale of merchandise in the state. Sales tax is a transaction tax, calculated as a percentage of the sales price and applied when an item is sold. Although sales tax may legally be imposed on the seller or the purchaser, the seller is liable for the tax and responsible for remitting it to the state. Generally, if sales tax would apply to physical merchandise purchased in California, use tax applies to a similar purchase made without tax from a business located outside the state. Use tax liabilities are often created by internet or mail order purchases with out-of-state retailers not required to collect the tax. The liability for the tax and remittance to the state is the responsibility of the buyer. Be sure to review receipts or invoice from internet and other out-of-state purchases to determine if tax was charged. A charter school must pay California use tax on purchases from a retailer outside California if both of the following apply:

1. The seller does not collect California sales or use tax.
2. The item is used, given away, stored, or consumed in California.

The use tax rate is always the same as the sales tax rate. Sales and use tax can never both apply; it is always one or the other.

Items that are exempt from sales tax are exempt from use tax as well. Exemptions and exclusions from sales and use tax are outlined in the California Revenue and Taxation Code. In general, sales or use tax does not apply when:

- Funds being used are nontaxable within the guidelines of a contract or award.
- Goods or services are tax-exempt.
- Delivery or acceptance took place outside California.
- Items purchased are for resale.
- Title of equipment passes directly to the federal government.

More information on sales and use tax rules and regulations is available at CDTFA - CA Department of Tax and Fee Administration.

Although this manual introduces and gives brief guidelines regarding sales and use tax, it is not intended to provide tax, legal, or accounting advice.

Credit and Debit Cards

The charter school governing board should establish policies and procedures regarding the issuance and use of credit and debit cards. The ability to use credit and debit cards is a convenience that should be extremely limited and carefully controlled and monitored. Using a credit or debit card is the same as handling cash and should be subject to the same precautions and requirements. Credit and debit cards should not be used to circumvent the purchasing process of the charter school. Purchase orders through the business office should be the preferred method of payment.

Issuing Credit and Debit Cards

Corporate or charter school credit and debit cards should be issued only to personnel who travel on charter school business or who have a legitimate need to purchase goods and services, either in person or online, or when a vendor will not accept a purchase order. Credit and debit cards should not be used to bypass established purchasing procedures, including advance approval processes, and the use should be minimal and infrequent.

Every staff member who is authorized to use a credit or debit card should be required to sign a credit and debit card use certification statement annually, acknowledging that the card shall be used exclusively for legitimate charter school-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the organization.

A sample credit and debit card use certification statement form in Microsoft Word may be downloaded by clicking here.

Cardholder Responsibilities

To be issued a card, an individual should be an employee of the charter school and agree to all terms and conditions established by the charter school. Cardholders should be made personally liable for all inappropriate charges and personally responsible for settling any dispute over any purchase from a vendor.

Credit and debit cards should be used only when a supplier does not accept a purchase order; whenever possible, cardholders should plan activities and submit travel and purchase order requests early enough to use the regular purchasing system rather than a card. Credit card purchases must be approved in advance. Any charter school credit and debit cardholders may have their card revoked for violation of the preapproval process if it is determined there was enough time for them to request and receive approval for a purchase order using normal purchasing procedures.

All cardholders should follow the school's established purchasing approval policies and procedures. Business offices may issue cards to fulfill properly approved purchases (e.g., for travel or goods). A policy should include at minimum:

- When using a credit or debit card for internet purchases, cardholders should ensure that the website uses secure socket layer encryption (these website addresses will start with https).
- Credit cards shall not be used to purchase alcoholic beverages.
- Credit cards shall not be used for personal expenses.
- Cardholders shall not assign to someone else the use of a credit or debit card, or pay for another employee's or person's expenses with the credit card.
- Every month, each cardholder will be provided with a statement detailing the expenditures charged to their charter school credit or debit card. Cardholders will submit all receipts for purchases of goods and services to the accounting department by the close of the last business day of the first week of the month following the month in which the credit or debit card statement was issued. For example, if the credit card statement date is March 18, the required documentation must be submitted to the accounting department no later than the last business day of the first week in April.
- All original, detailed receipts must be attached to the credit or debit card's monthly statement.
- All documents should be initialed by the cardholder.

- If a receipt is missing, payment may be the responsibility of the cardholder, unless the CFO determines otherwise. Inappropriate or overuse of the affidavit of lost or missing receipt may result in the loss of credit card privileges and disciplinary action.
- If the accounting department identifies any inadvertent personal charges or unauthorized uses of the card, the card statement and all backup documentation will be forwarded to the CFO for review.
- The CFO will discuss with the cardholder any charges of concern, and the cardholder will be required to reimburse the charter school immediately for any inadvertent personal charges or unauthorized charges.
- The CFO determines whether to revoke the cardholder's credit or debit card privileges and whether any disciplinary actions will be taken. The CFO's and CEO's credit or debit card privileges may be revoked by the governing board.
- Purchases made using a credit or debit card are subject to the same criteria and requirements as all other purchases.

Review and approval procedures are as follows:

- The credit or debit cardholder will review the card statement to ensure it includes only their own approved charges.
- The accounting department will review all charges on the card statement against all purchase documents the cardholder submits.
- Any charges not made by the cardholder will be identified and discussed with the accounting department staff and forwarded to the CFO.
- The CFO will review and approve or disapprove principals' credit and debit card use; the CEO will review and approve or disapprove the CFO's credit and debit card use; and the chairperson of the governing board will review and approve or disapprove the CEO's credit card use.
- The CFO will review charges and supporting documentation for the monthly statement before approving any payment.
- All cardholders should report the loss or theft of their charter school credit or debit card immediately to the credit card company and the CFO, even if the loss or theft occurs on a weekend or holiday. If a credit card is stolen, the cardholder should file a police report, and a copy of the report should be maintained for insurance purposes.

Employees' Personal Credit Cards

An employee may use their personal credit or debit card for legitimate charter school business-related purchases and submit a request for reimbursement, but only with prior approval for the purchase, not to bypass established purchasing procedures, including advanced authorization requirements.

Abatement of Expenditures

Abatement of expenditure is the cancellation of a part or the whole of a charge previously made, usually because of refunds, rebates, resale of materials originally purchased by the charter school, or collections for loss of or damage to the charter school's property. Abatement of expenditure applies to both current expenditures and capital outlay expenditures from any fund for the current fiscal year.

The basic distinction between revenue and an abatement of expenditure is that an abatement of expenditure cancels a part or the whole of a determinable item of previous expenditure for the current fiscal year. If a receipt cannot be substantiated as a cancellation of a specific expenditure, it must be recorded as revenue. This definition must be observed in making all decisions as to whether a receipt is to be recorded as revenue or as an abatement of expenditure.

Adjustments between expenditure accounts to correct errors in the distribution of charges are reclassifying entries, not abatements of expenditures.

Accounting Instructions for Abatement of Expenditures

In accounting, the netting of revenues and expenditures is generally avoided. Both revenues and expenditures should be reported in their entirety. It is typically appropriate to credit a receipt to an expenditure account only if not doing so would overstate the expenditure account.

Receipts that represent cancellations of expenditures are accounted for as abatements by crediting the original expenditure accounts for the fiscal year in which the expenditures and receipts occur. Receipts canceling expenditures from a prior year that were not accrued in the prior year must be accounted for as revenue in the current year. Receipts significantly in excess of the related expenditure are accounted for as revenue.

Appropriations, apportionments, subsidies, or grants-in-aid from any governmental unit must be accounted for as revenue, not as abatements of expenditures.

Charter schools may record an abatement of expenditure prior to the receipt of cash (i.e., as an accounts receivable).

Receipts Allowable as Abatements of Expenditures

The following are examples of receipts that must be accounted for as abatements of expenditures if the receipt and expenditure occur in the same fiscal year:

1. Receipts from sales of supplies and new materials at cost (a) to students for personal ownership (e.g., art and shop materials); (b) to students by means of vending machines dispensing articles supplied by charter schools; (c) to PTAs or other school-related organizations; or (d) to other governmental units, including LEAs (note that some of these sales may be credited to stores accounts instead of expenditure accounts depending on the local accounting methods employed).
2. Refunds of overpayment from (a) teachers and other employees; or (b) vendors and other payees.
3. Refunds for return of containers, oil drums, wire spools, and the like.
4. Reimbursement of cost of repairs or replacement of damaged or lost property from (a) pupils, parents, or guardians for loss of books or damage to charter schools property; or (b) contractors or any other individuals for damage to or loss of property.
5. Refunds from a transportation company for the unused portions of carfare books, tickets, and the like.
6. Refunds of gasoline taxes for non-highway use.
7. Cancelled and voided warrants (not stale-dated warrants).
8. Sale in lieu of trade-in of used equipment being replaced, such as automobiles and computers.
9. Refunds of insurance premiums overpaid.

10. Workers' compensation payments received by the employee and endorsed over to the charter school that offset all or part of the salary being paid by the charter school to the employee (see also Special Considerations Regarding Abatement of Salaries below).
11. Receipts from subleasing an unused portion of premises that the district had to rent as a whole to obtain the portion desired for school purposes.
12. Contributions for health insurance premiums from retirees or former employees who continue their health coverage at their own expense following retirement or termination of their employment.

Receipts Not Allowable as Abatements of Expenditures

The following are examples of receipts that are not allowed as abatements of expenditure and must be accounted for as revenue:

1. Tuition.
2. Fees.
3. Rentals, including collections for the use of swimming pools, tennis courts, and the like.
4. Library fines.
5. Receipts from the sale of surplus property and equipment no longer needed.
6. Donations, contributions, and gifts.
7. Receipts from the sale of courses of study, printed forms, and the like.
8. Amounts received from forfeitures of bonds or deposits because of noncompliance with contracts.
9. Stale-dated warrants and warrants cancelled in a fiscal year subsequent to the year of expenditure.
10. Receipts from a teacher training institution for practice teaching services (see Special Considerations Regarding Abatement of Salaries below).
11. Jury duty fees received by employees and endorsed over to the charter school as a condition of the employee receiving full salary while on jury duty (see Special Considerations Regarding Abatement of Salaries below).
12. Amounts received from another entity for amounts paid to an employee or a substitute while the employee performs services for the other entity (see Special Considerations Regarding Abatement of Salaries below).
13. Insurance recoveries or settlements from commercial insurance carriers, JPAs, or self-insurance funds because of building, supply, or equipment losses.
14. E-Rate reimbursements, rebates, or discounts and similar subsidies. If the E-Rate discount or subsidy is received as a discount on a bill, the full amount of the bill before discount should be debited to the expenditure account and the E-Rate discount or subsidy should be credited to Other Local Revenue.

Special Considerations Regarding Abatement of Salaries

There are particular payroll reporting issues to consider regarding abatement of salaries. Salary expenditure accounts should never be abated unless:

- The salary actually paid by the charter school to the employee is being reduced or corrected in the payroll records as well;

  and/or

- The payroll reporting responsibility for the salary paid to the employee and being reimbursed to the charter school is being assumed by another entity.

Charter schools have a payroll reporting responsibility for all salaries paid to their employees. Unless the payroll reporting responsibility for a particular salary amount is being assumed by another entity, a charter school should not abate a salary account for receipts relating to that particular salary amount. Thus, amounts received by the charter school for jury duty stipends turned over by the employee to the charter school, or amounts received from another entity to reimburse the charter school for salary paid to an employee or a substitute while the employee performed services for the other entity, should be recorded as revenue and not as abatements of salaries.

In general, salary accounts in the general ledger should match gross employee earnings in the payroll history records.

Fixed Assets, Leases, and Depreciation

Fixed Assets and Leases

Acquisitions and disposals of assets should be carefully documented. There are two types of assets: depreciable assets, also known as capital assets (this includes land even though it is not depreciated); and assets the charter school should track for inventory purposes but not depreciate. When applicable, such as with automobiles and buses, assets should be registered in the name of the charter school and not the name of an individual.

Asset purchases that cost $5,000 or more and have a useful life of more than one year should be capitalized and depreciated. Remodeling of facilities and replacement of structural components should be capitalized only when their cost exceeds $50,000.

Assets that should be depreciated include furniture, fixtures, automobiles, buses, buildings, building improvements, and equipment. The straight-line depreciation and amortization method should be used. Alternative or accelerated depreciation methods may be used when considered necessary and if approved by the CFO.

Any assets purchased that cost $5,000 or more should be recorded in a depreciable fixed asset schedule. Microsoft Excel's database of forms and templates includes various fixed asset schedules that use straight-line depreciation.

The depreciable fixed asset schedule should include the following information:

- Name of the asset
- Location of the asset
- Asset class (e.g., equipment)
- Description
- Serial number
- Asset tag number

- Date purchased and placed in service
- Vendor purchased from
- Original cost
- Depreciation method
- Estimated useful life
- Accumulated depreciation
- Net book value
- Estimated salvage value if any

Any assets purchased that cost more than $500 and less than $5,000 should be recorded in a fixed asset ledger for inventory purposes.

The fixed asset inventory ledger should include the following information:

- Name of the asset
- Location of the asset
- Asset class (e.g., equipment)
- Description
- Serial number
- Asset tag number
- Date purchased
- Vendor purchased from
- Original cost

Asset Purchase Approval

To ensure that assets are appropriately tracked, all purchases of assets costing more than $500 should require approval from the executive director or designee.

Authorization

Proper authorization should be obtained using the charter school's purchasing process. Approval should be documented on all purchase orders or check requests submitted to the business office. School principals may identify the vendor for purchase of the capital assets or may submit the request to purchasing staff in the business office for procurement.

FCMAT recommends requiring three quotes for any purchase of $5,000 or more.

When the quotes are received, the evaluator should evaluate them based on price, functionality, warranty, repair and maintenance issues, reliability, and other factors. The requester should forward the three best quotes to the CFO, who will forward their recommendations to the CEO for final review and decision.

Constructed or Donated Equipment

Any equipment constructed by charter school employees or donated to the charter school should be reported to the business office if the item has a value of $5,000 or more. The report should include a complete description of the property, the date it was manufactured or received, the number of items, the cost or estimated value, and a statement indicating whether it was constructed by employees or donated.

Donated equipment becomes the property of the charter school. Also, the charter school's governing board or its designee must formally accept the donation. If the equipment has no reasonable use or purpose for the charter school, the donation should not be accepted.

Asset Sales and Dispositions

Capital assets may be sold or traded for new equipment; when this occurs, an asset sale and disposition form should be completed. A sample form may be downloaded in Microsoft Word format by clicking here. A sample board policy may be downloaded in Microsoft Word by clicking here.

For any assets with an original value of more than $1,000, the CFO's approval should also be required for a sale or disposition.

Upon approval, the school may advertise the property for sale or submit a list to the purchasing department for sale and disposition. Many bill of sale documents are available on the internet that can meet the needs of each particular type of sale. A sample that has the elements common to almost all such documents may be downloaded by clicking here.

After completion of the sale, a completed original bill of sale form with authorized signatures should be submitted to the business office. The business office should delete the item from the asset records and record any gain or loss on the disposition.

Worn Out or Obsolete Assets

Worn out or obsolete assets with no cash value should be reported to the business office on the asset disposition form, which includes a description, serial number and condition of the asset. The business office should inspect all worn out or obsolete property before it is discarded. The asset can then be removed from the asset records.

Missing or Stolen Assets

Any missing or stolen asset should be reported in writing to the school principal and the business office as soon as its absence is discovered. The report should include the description, serial number, and other information about the lost item.

The business office should determine the proper course of action and should notify the charter school's insurance carrier and any outside authorities if deemed appropriate. If the asset is not recovered, it can be removed from the asset records.

Transfers of Assets Within the Organization

Transfers of assets within the organization (e.g., from one school to another) should be reported to the business office in writing; the report should include a description, serial number and the name of the school or location that is to receive the property.

The school principal or location manager to whom the asset was originally assigned remains accountable for the asset until the business office approves the transfer. Once the business office approves the transfer,

the business office updates the asset in the asset record. The asset should then be transferred. Once the asset is transferred to the new location, the school principal or location manager at the school or location acquiring the property assumes responsibility.

Employees Using Their Personal Assets

The use of personal tools, equipment or furniture at the charter school is discouraged. The school accepts no liability for loss, damage or theft of employee personal items. The charter school should provide all necessary items to perform job functions. However, employees may bring their personal items subject to the approval of the school principal and the business office. To maintain proper segregation and control, any employee-owned tools, equipment or furniture to be used at the charter school should be reported to the school principal and the business office. The report should include the employee's name, a description of the item or items, identification numbers (if any), and the reason for using the item.

Asset Tagging

When an asset is purchased, the warehouse or business office is responsible for assigning and attaching an asset number tag to the property in a readily visible location. If an asset tag cannot be attached and the asset has no serial number, other means should be used to permanently identify the asset, such as engraving or heat stamping it with the charter school's name and a sequential number.

The business office should maintain a detailed list of each capital asset item along with depreciation records. This documentation should include the name, location, asset class, description, serial number, asset tag number, date purchased, date placed in service, vendor, original cost, depreciation method, estimated useful life, accumulated depreciation, net book value, and any estimated salvage value.

Once a year the business department should give each school or location a report that includes a list of assets assigned to that school or location and any acquisitions, disposals and transfers during the past year. The school or location should review and validate the report, note any discrepancies, and provide this information to the business office as soon as possible.

Vehicle Replacement, Maintenance and Accidents

The safety of charter school employees, parents and board members is vital to the organization; therefore, whenever possible, vehicles owned or leased by the charter school should not be kept for more than 8 years or 100,000 miles of use, whichever occurs first. A mileage and maintenance log should be established to ensure vehicles are monitored and replaced on schedule.

Maintenance and Service

All vehicles should be maintained and serviced regularly at an authorized vendor. The charter school should evaluate vehicle repair and maintenance vendors' performance and cost of service at least every two years. Newly purchased or leased vehicles that have free maintenance and service as part of the warranty period, or as part of the purchase or lease, should have their maintenance and repairs performed according to the terms of their warranty or lease or purchase contract.

Vehicle Problems

Charter school employees to whom a charter school vehicle is assigned must report any suspected problems or issues with the vehicle immediately.

Vehicle Accidents

Any employee driving a charter school vehicle who is involved in an accident should ensure that the charter school's insurance carrier is notified. The driver should document in writing the specifics of the accident, including where and when it occurred, how it occurred, who else was involved, and whether another vehicle was involved. The driver should also take photos at the scene, if possible. The driver should submit their report and photos to the business office immediately when they return to the charter school. For anything other than a minor incident with no injuries and no dispute, the police should also be contacted.

Leases

A lease can be classified as either a capital lease or an operating lease. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840-30, Capital Leases, describes the criteria for determining which of these two classifications applies. Under these criteria, a lease should be treated as a capital lease if any of the following are true when the lease is entered into:

- The lease transfers ownership to the charter school at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using as the interest rate the lesser of the charter school's incremental borrowing rate or, if known, the lessor's implicit rate).

Any lease for which none of the four preceding statements is true, or that is immaterial in nature, should be recognized and accounted for as an operating lease. An operating lease is like a rental agreement in that the monthly lease costs are expensed.

The charter school should maintain a list or inventory of capital leases and operating leases; the list should include all relevant lease terms.

Fixed Asset Capitalization and Depreciation

Asset purchases with a cost basis of $5,000 or more and a useful life of more than one year should be capitalized and depreciated. Remodeling and replacement costs for integral structural components should only be capitalized when their cost exceeds $50,000. Depreciation or amortization should be calculated using the straight-line basis over the useful life of an asset unless board policy establishes an alternative depreciation method.

Cost basis is not the market value or list price of an asset; rather, it is the total amount invested in the purchase or the total amount paid, whether paid in cash or received in kind. The cost basis should include all charges related to the purchase, including the purchase price, sales tax, freight charges, and installation charges if applicable.

Capitalization

Capitalization is the method used to record the purchase of a fixed asset in the charter school's accounting records. When an asset is capitalized, it is not expensed in the same year it is purchased. This means the asset is usually recorded both in the balance sheet and individually in an asset schedule. Examples of capital expenditures are purchases of buildings, equipment, leasehold improvements, vehicles, and land.

When an asset is capitalized, a prorated share of the capitalized cost of the asset is expensed each year as depreciation until that cost is exhausted.

All assets that have a useful life of more than one year and cost more than $5,000 should be capitalized and recorded in the asset schedules and accounting records. Land is considered to have a perpetual life, not a useful life, so it is not depreciated but is capitalized as an asset.

Any asset that is not capitalized should be expensed. For example, small tools and equipment, or repairs and maintenance, are usually expensed.

Leasehold Improvements

Leasehold improvements, including painting, should be capitalized if they relate to the occupancy of a new office or to a major renovation of an existing office or site, and meet the capitalization threshold of $50,000.

Repairs

Expenditures for maintaining vehicles, equipment or an existing building should not be capitalized; they should be expensed as a repair.

Cost of Buildings

The capitalized cost of a building should include all expenditures related directly to its acquisition, construction or rehabilitation. This includes all associated costs such as materials, labor and overhead incurred during construction, and any fees such as attorney's fees, architect's fees, and building permit fees.

The best practice to account for the cost of buildings is to capture and record the details of all costs in a construction in progress account. Costs recorded should include acquisition costs and expenditures made to prepare the building for occupancy.

Depreciation

Depreciation is an expense that allows for and tracks an asset's decline in value because of wear and tear, age, deterioration, or obsolescence. It typically involves allocating a prorated share of the capitalized cost of an asset over its estimated useful life to recover the cost or other basis of the asset over the time it is used.

The decline in value is measured by the depreciation method used. For example, the straight-line depreciation method measures the same amount of decline in value each year.

At the end of an asset's depreciation period or useful life, its value on the balance sheet will be zero, or fully depreciated. A depreciation expense is recorded in the income statement each year until an asset's cost is fully depreciated.

Land, unlike a building or other assets, is not depreciated because it does not wear out, become obsolete, or become used up. Land is usually viewed as an appreciating asset, whereas all other capital assets are usually viewed as depreciating over time and with use. An asset's appreciation, however, is not recorded in the accounting books until the asset is sold.

To ensure consistent financial reporting and tax compliance, the depreciation method and expected life of an asset must be selected when it is first placed into service. How the charter school determines an asset's useful life will depend on the asset's intended use. A charter school should use the straight-line method of depreciation unless board policy establishes an alternative depreciation method.

Employee Reimbursements and Travel

Expense Reimbursements

Reimbursements for purchases and travel should be made according to guidelines set by the charter school, or default to the IRS standard for reimbursements. Reimbursements apply to both employees and board members.

The following are sample guidelines:

Charter school principals are responsible for reviewing and approving all reimbursements pertaining to their schools, up to $1,000. The CFO is responsible for approving all reimbursements for $1,000 to $3,000. The CEO is responsible for approving all reimbursements of more than $3,000.

Reimbursement steps are as follows:

- Submit itemized original receipts and the completed and signed reimbursement or purchasing documentation such as the original invoice, purchase request, employee expense report or reimbursement request.
- Obtain authorization.
- Prepare and issue reimbursement payment, and file all paperwork.

Reimbursement receipts should be submitted monthly.

An employee or board member may not request reimbursement for expenses for another individual or employee.

Expense report forms must be filled out completely. Original receipts for items charged must accompany all reimbursement documentation. Any questions regarding completion of the expense report should be directed to the employee's supervisor, the office manager, or the accounting department.

Upon completion, the expense report and all attached documentation should be submitted to the employee's supervisor for approval. After approval, the expense report is submitted to the accounting department for processing and reimbursement. To expedite reimbursement, ensure the report is completed properly, required documentation is attached, it is properly authorized, and any unusual items are explained and documented. For unusual items, detailed written notes are needed for the supervisor and accounting department to authorize reimbursement.

All reimbursement requests must be approved by the proper manager before being submitted to the accounting department.

Approvals for reimbursement requests must be obtained prior to any purchase or travel. The charter school will not be obligated to reimburse requests for which prior approval was not obtained. When the shopping or traveling is complete, the employee should submit the original receipts and can expect to be reimbursed if they spent funds on items for which they obtained prior approval.

Prior approval can be obtained using an expenditure approval/purchase order form (for reimbursement of actual expenses when purchasing items), or an approval to attend education activity form, which must be completed before any travel, including out-of-state travel. Best practice is for all out-of-state travel to have prior approval from the charter school governing board. Directors, principals, and managers of programs and sites are responsible for reviewing travel records and for giving initial approval for claims within the budget limits.

Every employee's or board member's reimbursement or purchase request should be documented with proper travel authorization, receipts, and information on the nature of business, program allocation, and funding source (if applicable) before the reimbursement is approved.

Reimbursements are usually allowed for the following:

- Travel and conferences
- Mileage
- Meals (see Meals section below)
- Car rentals
- School and classroom supplies
- Allowable academic expenses
- Student awards
- Other approved expenses

A limit should be set on the number of personal reimbursements that can be made to any individual, and on the amount per reimbursement. The vast majority of expenses can and should be paid for in advance through the accounts payable system rather than via reimbursement directly to individuals. This helps ensure that charter schools don't have a suspicious amount of payments being made to staff or board members. Although this is not a legal issue, it is a recommended best practice.

Gifts

Reimbursement for gifts of any kind is never allowed.

Other Expenditures

A receipt is required from the vendor detailing all goods or services purchased.

Nonreimbursable Expenses

Some expenses are not considered valid business expenses, yet may be incurred for the convenience of the traveling individual. Because these are not expenses for the charter school, they are not reimbursable.

Examples of nonreimbursable expenses include the following:

- Alcohol
- Parking or traffic tickets or car towing if illegally parked
- Airport lounge clubs
- Dry cleaning
- Shoeshines
- Barbers and hairdressers
- Movies or personal entertainment
- Books, magazines or newspapers (unless specific to education or the employee's job)
- Doctor bills, prescriptions, or other medical services

- Health club membership, even if for one day or short-term use
- Babysitter, lawn care, or pet care fees

Travel

The following information is designed to provide guidelines and best practices when creating a policy for making travel arrangements, advances, and reimbursements.

Travel Arrangements

Travel to events should be approved in advance, and those making the arrangement should always strive to obtain the best possible price.

Unless charter school administrators consider something an emergency, travel arrangements should be made at least 15 days in advance to obtain better pricing.

Employees should provide an itemized receipt from the hotel that details all charges and dates, and clearly indicates for whom the lodging was provided. Documents should include any itemized receipts for parking, tolls, car rentals, taxis, food and other expenditures related to the travel for which the employee obtained prior approval.

Cash Advances

To help ensure accurate and timely expense report preparation and reduce the additional paperwork required to process and track cash advances, the charter school discourages cash advances unless there are special circumstances.

If an employee's cash advance is approved by executive director or designee, a formal check request must be made and forwarded to accounting for processing.

When a cash advance is received, the employee will reduce their requested expense reimbursement by the amount of the cash advance. If the cash advance exceeds the actual travel expenses, the employee must return the remaining cash with the completed expense report. Excess advance funds cannot be carried forward to future expense reports.

Travel Expense Guidelines

Automobile

Industry practice is for an employee who uses his or her personal automobile for business to be reimbursed at the most current IRS mileage rate. The employee should document in their expense report the dates, miles traveled, and business purpose of each trip.

The charter school should state in policy that it assumes no responsibility for personal automobiles used for business. Parking should be reimbursed for the actual cost, and a receipt should be required. Any traffic or parking violation should always be the sole responsibility of the employee.

Employees who use private vehicles in the course of their official duties must be required to have in their possession a valid California driver's license and carry current automobile insurance with at least the minimum coverage for public liability and property damage as specified by the state of California. An employee who operates a private vehicle in violation of the above insurance requirement should be subject to disciplinary action.

The lease or rental of automobiles by employees may be authorized for office business purposes, but should be approved by the administration in advance. Authorization should be contingent on the cost being less than what would be incurred at the current IRS-approved rate per mile when using one's own private vehicle, and/or using a taxi or rideshare service. If the IRS-approved rate is used, the mileage reimbursement is not considered income to the employee and will not be reported as revenue on the employee's W-2 at year end.

Carpools should be strongly encouraged when two or more employees need to travel to the same destination and would otherwise do so in separate privately owned vehicles, unless other official business circumstances make such pooling impractical and more costly.

Air Travel

Air travel should be authorized by an administrator when he or she deems it reasonable, when it results in a cost savings, and when it promotes the efficiency of the employee. Airfares are reimbursable at actual cost. Business class and first class travel should not be allowed.

Board policy may authorize the use of aircraft privately owned by an employee if the employee has a valid United States pilot license and carries insurance with at least minimum coverage for public liability and property damage as specified by the state of California. Reimbursement should be at the current approved rate per statute mile, applied to the shortest air route from origin to destination.

Lodging

Lodging arrangements should be preapproved by administration. If an employee is accompanied by a nonemployee such as a family member or a friend and as a result incurs additional costs, those additional costs are the employee's responsibility.

Meals

Meals should only be reimbursed if travel requires an overnight stay. Meal reimbursements without an overnight stay are considered taxable fringe benefits to the employee. Charter schools should have their own policy on reimbursement for meal expenses. The charter school may decide to offer per diem or actual meal cost reimbursement. The following is one example:

> Employees traveling on approved charter school business may choose to be reimbursed for the actual costs of meals, or receive a per diem meal allowance. Actual meal costs require itemized receipts; per diem meal costs do not. The charter school should consult the GSA website when creating a policy for per diem meal reimbursement. To qualify for reimbursement for either actual or per diem meal cost, the following leave and return time limits apply:
>
> > Breakfast: must leave before 6:30 a.m.
> >
> > Lunch: must leave before 11:30 a.m., and/or return after 1:30 p.m.
> >
> > Dinner: must leave before 4 p.m., and/or return after 6:30 p.m.

For non-per-diem meals, an itemized receipt must be submitted showing the cost of food, beverages, and gratuities, including the name of every person for whom food or a beverage was provided, and the business purpose. Gratuity paid in excess of the charter school policy, unless automatically assessed by the restaurant, could be considered a gift of public funds.

Entertainment expenses are not allowed. Entertainment expenses include but are not limited to movies, night clubs, and sporting events.

Telephone

Hotel telephone charges should not be reimbursed except for use in an emergency.

Alcohol

The charter school cannot reimburse for any alcohol purchases.

Miscellaneous Expenses

Any business expenses not categorized above should be listed under miscellaneous expenses on the reimbursement form and documented with all information needed to substantiate the expense.

These expenses should be reimbursed at the actual cost if listed under miscellaneous expenses on the reimbursement form and if the employee submits documents that substantiate the expenditure. All individual costs in excess of $5 should require a receipt. Examples of other expenses are necessary transportation (e.g., taxi, Uber, Lyft), registrations, and parking. For toll roads and bridges, when a receipt is not practical and the amount is more than $5, the amount and the road or bridge should be identified.

Nonreimbursable Expenses

Personal expenses such as laundry, valet service, personal telephone, personal internet, entertainment, and alcohol are not reimbursable.

Excessive and unreasonable costs such as valet parking, in-room telephone, and food from the honor bar in hotel rooms shall not be reimbursed.

Payment for internet service will only be reimbursed if preapproved by an administrator, and then only if deemed necessary for work.

In the case of a missing or lost receipt, the use of an affidavit for lost receipt form for a purchase using the charter's credit card has one material deficiency. Because it is the charter's credit card, which means the charter is solely responsible for all purchases, the deficiency is that the charter must pay the credit card whether or not there are receipts. If the purchase is made on an employee's personal credit card and the employee fails to submit proper receipts, the employee is responsible for paying their credit card, not the charter. For additional information on credit cards, please refer to Card Holder Responsibility.

A sample travel expense report may be downloaded in Microsoft Word format by clicking here. An affidavit for lost receipt form may be downloaded in Microsoft Word format by clicking here.

Expenditures, Payables, Purchasing, and Vendors

Accounts Payable and Cash Disbursements

The accounts payable function is to pay on the charter school's bills and invoices that are legitimate and accurate. Payables result from purchases and from having entered into contracts for supplies, merchandise, agreements, services, and other nonmerchandise transactions.

Accounts payable are usually created when an organization has recorded liabilities for the receipt of supplies or services accompanied by a purchase order or contract, has finalized a liability when a vendor's invoice is received and is preparing to pay for the goods and services.

Accounts Payable

The accounts payable process begins when documents such as a purchase order, vendor invoice or consultant contract and invoice are forwarded to accounts payable in the business office. Accounts payable maintains the purchase order, invoice and any other documents (e.g., packing slip) for subsequent matching to create the accounts payable voucher package.

After the business department has received all necessary documents such as proper authorizations, validation of the purchase or service, and receipts for purchased items or services, and after it has documented the accuracy of amounts, the process for documenting the purchase or services is as follows:

- The purchase order should be reviewed to ensure that it has proper authorization, matches the characteristics of the purchase, and has the agreed-upon price(s). The invoice should be reviewed for accuracy and for the product or services delivered.
- The vendor invoice and purchase order should be combined, with the invoice as the first page.
- The invoice and packing slip or other receiving reports showing quantities shipped or delivered should be compared to each other and confirmed as received. Any discrepancies must be resolved before the payment process begins.
- Calculations on the invoice should be reviewed for accuracy, including quantities received multiplied by unit price, and totals. Check marks, tick marks or other notation should be made on the invoice to indicate that the quantities and calculations were reviewed.

A sound internal control structure requires job duties to be segregated to properly protect the charter's assets, with no single employee handling a transaction from initiation to reconciliation. No single employee should have custody of an asset and maintain the records of related transactions. The table below illustrates the concept of the separation (or segregation) of duties involving accounts payable:

Person #1	Prepares the charter school's purchase order (POs)
Person #2	Prepares the company's receiving reports
Person #3	Compares each PO, receiving report and vendor invoice
Person #4	Pays the vendors

Accounts Payable for Nonmerchandise

Nonmerchandise expenditures such as legal or professional fees, rents, utilities, insurance, repairs, and taxes should have documentation including but not limited to memoranda of understanding, contracts, requisitions or other agreements. When an invoice is received, the charges should be entered into the payable system and coded to the correct expense account.

Cash Disbursement and Payment of Accounts Payable

Electronic accounts payable systems usually provide an accounts payable report that lists open payables and their age, such as 30, 60, 90, or 120 days or more. The business office should review all payables and pay them based on funds available and a projection of cash flow or receipts.

If sufficient funds are not available to pay the payables selected, a disbursement or check should not be prepared.

If sufficient funds are available, the selected payables or bills should be processed for disbursement by printing a check, completing an online bill pay, sending a wire transfer, or creating an automated clearing house (ACH) withdrawal.

When favorable early payment terms are available, accounts payable should be paid within seven days of when the early payment term expires, unless the CFO determines otherwise.

Any vendor credits (that is, amounts owed to the charter school) should be applied in full to all amounts owed to the vendor when determining payment. In other words, always apply vendor credits to the next available payment because there is no reason to hold a credit. Vendor credits are normally received in the form of a credit memo or adjusting invoice. Vendor credits should be entered into the accounting system the same way as any other invoice and applied to the next payment made.

Once it is determined which invoices will be paid, and they are matched with the printed checks, wire transfer, online bill pay, or ACH withdrawal documents, the invoice documentation package should be presented to the CFO for review and authorizing signature.

When the invoice package is returned from the CFO, staff should immediately ensure that all printed checks, wire transfer, online bill pay, or ACH withdrawal documents are signed, approved, and recorded correctly in the accounting system. The invoice(s) should be marked as “paid” to document payment and to prevent duplicate payments. If using handwritten checks, only checks that include a two-stub or more check form should be used; one stub should be attached to the paid invoice and the other to the remittance copy of the invoice.

If one check or online bill pay is used to pay multiple invoices, the stub should be either photocopied or the online bill pay screen printed and a copy attached to each paid invoice. Another option is to attach all paid invoices to one check stub or online bill pay document.

The checks should be mailed as soon as possible after they have been posted and marked as “paid” by the system. Checks should not be held after posting. Holding of checks usually occurs when there is insufficient cash flow; doing so increases the difficulty of projecting cash flow, reduces the accuracy of the cash balance, and causes confusion when trying to reconcile accounts payable vendor balances. In addition, a payable or liability remains until the check for it is mailed. As stated above, if cash flow is not sufficient, checks should not be posted and printed.

Accrued Liabilities

An accrual, or accrued expense, is a means of recording an expense that was incurred in one accounting period but not paid until a future accounting period. Accruals differ from accounts payable transactions in that an invoice is usually not yet received and entered in the system before the year end. Recording an accrual ensures that the transaction is recognized in the accounting period when it was incurred, rather than paid. For an expense to be recorded in the current fiscal year, the expense should have been incurred by June 30 (conclusion of the fiscal year), meaning that the goods should have been received or services should have been rendered by that date (end of the day).

Charter schools should establish a list of liabilities to review and, if necessary, accrue at the end of each accounting period and at fiscal year-end. Examples of liabilities that should be considered for accrual are:

- Salaries and wages

  If the payroll period does not end on the last day of the fiscal year, the portion of wages earned as of the last day of the fiscal year but not paid until the subsequent fiscal year should be accrued.

- Payroll taxes
- Vacation pay and other compensated absences
- Rents and leases
- Interest on notes payable
- Insurance premiums
- Audit fees

  Because the annual audit cannot be completed within the audited fiscal year, accrual of audit fees applicable to the audited year is appropriate.
- Charter management organization fees
- District oversight fees
- Other management estimates such as potential legal accruals for contingent losses

Notes Payable and Lines of Credit

Notes or loans payable and lines of credit are forms of debt and financing obligations. These are written agreements in which the charter school obtained a specific amount of money from a lender with the promise to pay back the amount owed, with interest, over or within a specific time period.

All forms of financing should be described in detail and formally approved by the charter school's governing board. The receipt and use of the funds, and the due dates of financing obligations, should also be tracked to ensure that the charter school has sufficient funds to pay its creditors.

Notes payable appear as a liability on a balance sheet. This type of loan can be a short-term or long-term liability, depending on the note's maturity time frame. They are classified as current liabilities when the amounts are due within a year. When a note's maturity is more than one year in the future, it is classified as a long-term liability.

Accounting and Classification of Financial Obligations

For each financial obligation, the charter school should prepare an amortization schedule and reconcile it to the accounting books and records. At the end of the fiscal year, the obligation's current and noncurrent portions should be recorded.

The current portion of an obligation is the amount of the obligation that is due within one year. The noncurrent portion of an obligation is the amount of the obligation that is due after one year. The amounts of current and noncurrent portions of an obligation are readily identifiable in the amortization schedule. Based on the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due after one year shall be classified as long-term or noncurrent liability in the statement of financial position.

Any interest owed but unpaid as of the end of the fiscal year or as of the end of an accounting period should be accrued as a liability.

For all financing obligations, the charter school should reconcile the actual principal and interest payments made and recorded in the general ledger with the lender's loan document terms and amortization schedules. This reconciliation should be performed at least at the end of each fiscal year, but preferably

semiannually or quarterly. Any differences between the amount recorded in the general ledger and the amortization schedule should be resolved and documented.

The charter school should classify as current liabilities any demand notes and any other notes, obligations, or interorganizational loans (such as due to and due from transactions) that do not have repayment dates.

Documentation of Notes Payable

All notes payable should include the following information:

- Name and address of lender
- Date of agreement, renewal or extension
- Interest rate
- Repayment terms
- Total amount of debt or available credit
- Amounts and dates borrowed
- Maturity date
- Description of collateral, if any
- Address to which payments should be sent
- Contact person at lender
- Loan covenants, if applicable
- Termination clause

  Termination clauses are helpful for loans and lease obligations when the charter school needs to secure financing and classroom and office space before approval of the charter petition, or if an existing charter school's charter is not renewed.

Chapter 10 - General

Administrative

Insurance

Public schools are uniquely exposed to many risks. One way to mitigate those risks is to ensure that correct insurance coverages are in place, particularly in light of the current litigious climate and spotlight placed on recent failures in educational institutions to report, address, and prevent abuse or misconduct.

A charter school's insurance needs fall into four general categories of property and casualty risk: school financial assets, school employees, liability related to students and third parties onsite, and physical assets or property. The proper insurance levels and terms of policies should be determined based on the value of the assets at risk and the requirements of the charter authorizer.

FCMAT recommends the following minimum insurance coverages and limits for charter schools:

Coverage	Minimum Limits
General liability	$15 million per occurrence
Directors' and officers' liability	$15 million per claim
Employment practices liability	$15 million per claim
Auto liability and physical damage	$15 million per occurrence (consider higher if school owns buses)
Childhood sexual assault liability	$30 million per claim or occurrence
Errors and omissions (educator's legal liability)	$5 million per claim
Employee benefits liability	$5 million per occurrence
Property, including business interruption (BI) and extra expense (EE)	Should schedule at full replacement cost, ideally with no co-insurance clause. BI and EE should be no less than $1 million per occurrence. Sometimes BI and EE are written by length; recommendation is for no less than 1 year.
Workers' compensation and employer's liability	Statutory limits for workers' compensation $1 million for employer's liability
Crime	$1 million per occurrence

Other insurance coverage that should be considered includes:

- Cyber liability, in particular, ransomware
- Terrorism
- Pollution
- Student and volunteer accident
- Law enforcement liability

Insurance policies are contracts and should be saved in a permanent file and retained indefinitely. Policies should be reviewed annually to ensure they provide adequate coverage to meet the school's unique needs. Charter schools may find it beneficial to participate in school-specific risk pools, or may purchase commercial policies directly with the assistance of an insurance broker.

Public and Confidential Information and Document Control

The release of any information, public or confidential (if subpoenaed), should be monitored and controlled. All requests for information should be directed to the executive director or designee, who will determine the appropriate response and consult legal counsel, if necessary.

If the executive director or designee is briefly unavailable (e.g., a meeting) when a charter school receives a request for confidential information by phone or in person, another employee should record the request in writing and forward the following to the executive director or designee: the requester's name, organization, telephone number, address, reason for the request, and brief description of the information requested. If the executive director or designee will be unavailable for more than one day, the request should be forwarded to the person the executive director or designee has designated to receive such requests in their absence.

Public Tax Reporting Information

Charter schools operated for and by a nonprofit public benefit organization must allow the public to inspect certain records.

All nonprofit organizations that are tax-exempt under IRS Code Section 501(c)(3) or 501(c)(4), including private foundations, must make the following documents available when requested by the public:

- Form 1023, Application for Recognition of Exemption Under Section 201501(c)(3) of the Internal Revenue Code.
- The three most recent Form 990s, Return of Organization Exempt from Income Tax.
- Copies of forms 990 and 1023 must usually be provided immediately when someone makes the request in person and within 30 days when the request is in writing. Any supporting documents submitted with these forms must also be provided, though the names and addresses of donors do not have to be disclosed. Forms 1023, 990, and any supporting documents may be posted on the organization's website or another public website rather than mailing copies, as long as:
    - The nonprofit can inform anyone requesting copies that the materials are widely available and can be found on the organization's website, or,
    - The materials can be posted and available at a public website database, such as GuideStar (www.guidestar.org), from which they may be downloaded free of charge.
    - A reasonable copying fee can be assessed when copies are requested.

The IRS has information about nonprofit organization tax reporting at https://www.irs.gov/charities-non-profits.

Public Information and Public Records Requests

The California Public Records Act (Statutes of 1968, Chapter 1473, currently codified as California Government Code Sections 6250 through 6276.48) requires inspection or disclosure of governmental records to the public upon request, unless exempted by law. The Public Records Act is similar to the Freedom of Information Act, except that the statement, "the people have the right of access to information

concerning the conduct of the people's business" is part of Article 1 of the California Constitution because of California Proposition 59 (also known as the Sunshine Amendment).

Any public records requests should be forwarded immediately to the executive director or designee because they are time-sensitive, and an attorney may need to be consulted.

The League of California Cities prepared a public records act guide, revised April 2017, titled *The People's Business: A Guide to the California Public Records Act*. The guide is available in the Advocacy and Resources categories on the League's website, which was undergoing revisions at the time of publication of this manual.

Government Code Section 6250 states, "... access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in this state."

Government Code Section 6252(e) defines tha "public record" as:

> . . . any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics.

Section 6252(g) defines writing in a public record as follows:

> "Writing" means any handwriting, typewriting, printing, photostating, photographing, photo-copying, transmitting by electronic mail or facsimile, and every other means of recording upon any tangible thing any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combinations thereof, and any record thereby created, regardless of the manner in which the record has been stored.

Personnel Information Requests

One staff person, such as the CFO, director of human resources, or other administrator, should oversee all responses to requests for references. No other employee, including a former employee's immediate supervisor, should be allowed to respond independently to personnel information requests, unless the CFO, director of human resources, or designee directs them to do so, usually for the sake of continuity.

Some entities require all requests for personnel information to be made in writing and to indicate the nature of the request. Information should not be provided over the phone. Charter schools should adhere to the following guidelines when responding:

- Only designated staff may respond.
- The CFO shall review all responses to ensure that only factual information about the employee's job performance and qualifications for employment are included.
- Responses should not include opinions, conjecture, emotions, personal feelings, rumors, or nonwork-related comments or exaggerations.
- Copies of each response should be retained in the employee's personnel file.

Public Document Production and Copying

The charter school should comply with public access and document production requirements as follows:

- In-Person Requests

Anyone who appears in person at the charter school's business office during normal working hours and makes a request to inspect allowable current year documents that are in the charter school's possession should be granted access to a file copy of the documents immediately if they are readily available, or within 24 hours if staff are not available to supervise the review of documents or if the documents are archived, in off-site storage or otherwise not readily available. The designated administrator (e.g., CFO or director of human resources) should be responsible for maintaining a copy of each document and making it available to all requesters.

- Written Requests

  For requests for copies of documents, if they are in the charter school's possession, the charter school should require payment in advance for the estimated cost of all copying and shipping charges. The charter school should notify the requester of the prepayment requirement.

- Copying Costs

  Although there is no industry-standard amount to charge, one suggestion is to charge $1 for the first page copied and $0.25 for each subsequent page. All copies should be shipped to requester via postal Priority Mail, and the requester should be charged for the actual cost of shipping.

  Copying charges apply only to the cost of reproduction, not time spent searching for records. If the requester comes to the charter school to view requested records in person, the requester may pay only for the records they want copied.

  AB 2853 now permits agencies to make public records available electronically on a website, and the requester can be directed to the site rather than the charter school having to make copies or email records directly. If the requester claims they are unable to access files electronically and need a physical copy, the options above should be followed.

Timeline to Produce Information

A charter school must respond to a public records request within 10 days of the request. The response should indicate whether the charter school will reply to the response and state a reasonable estimated time for the production of the requested information.

As a general procedure, and depending on how many documents are being requested, the charter school's business office should provide an estimated cost of reproduction to the requester. Upon receipt of payment, the charter school's business office should make copies of the requested information and ship them to the requester within the agreed upon time frame.

The charter school should accept cash, certified checks, and money orders as payment for requested copies. Personal checks should be accepted as payment only when the request is in writing; this enables the charter school to ensure that the personal check clears the bank before copies are made or delivered to the requester.

Retention and Management of Files and Records

It is important to have detailed procedures regarding retention of files and records, including which records should be kept and which can be destroyed.

A charter school should establish board policy and administrative procedures that departments and employees can follow when determining and identifying which records should be preserved. The policy should include a records retention schedule, which is a list of all records produced or maintained by an

agency and the actions taken with those records. A retention schedule is an agency's legal authority to receive, create, retain, and dispose of official public records. It helps the agency by documenting which records require office or temporary storage, which have historic or research value, and which should be destroyed because they no longer have any administrative, fiscal, or legal value. In the event of litigation, courts accept a retention schedule as establishing an agency's normal manner of doing business.

Filing System, Record Class, Email, and Other Electronic Records

Filing System

Unless necessary, records should be kept only by their originator or sender, not by the receiver; this helps avoid duplicate filing systems. FCMAT also recommends:

- Keep all documentation and records for each year separate from those for other years.
- Label folders, and use separate folders for different types of documents (e.g., keep invoices separate from bank reconciliation worksheets, and keep income tax returns separate from cash receipts).
- **Record Class**: Adhere to the following record classes, as defined in CCR 16020-16027, to optimize filing efficiency, records access, record classifications, and retention periods:
  - **Class 1: Permanent Records**. Permanent records should be kept indefinitely in accordance with statute or other written guidance.
  - **Class 2: Optional/Temporary Records**. Optional records are any records worthy of temporary preservation not classified as Class 1: Permanent records.
  - **Class 3: Disposable Records**. All records not classified as Class 1: Permanent or Class 2: Optional/Temporary shall be classified as Class 3: Disposable.
- **Email Class Records**. All email records should be maintained and disposed of based on each charter school's current policy. Absent such provision, emails should be maintained and disposed of pursuant to the California Code of Regulations, Title 5, Section 16020-16027 (Class 1, 2 & 3); California Code of Regulations, Title 5, Sections 430-438 (pupil records); Code of Federal Regulations, Title 34, Section 99.10(e) (records pertinent to an outstanding request for records); Code of Federal Regulations, Title 34 Section 300.624 (special education records); and California Code of Civil Procedure Section 2023.030 (records pertaining to a pending claim).
- **Other Electronic Records**: Other electronic records are electronic records saved on a hard drive, flash drive, or other electronic storage medium of the staff or individual who retains the record in its final form. Any electronic record not classified as Class 1: Permanent or Class 2: Optional/Temporary shall be classified as Class 3: Disposable. Once an electronic record is considered Class 3: Disposable, employees will conduct a reasonable search of all electronic sources of information (computer hard drives, flash drives, servers, compact discs and other electronic media) in their possession and shall delete those electronic records permanently.

Record classes 1 through 3 are described and defined in further detail later in this manual.

Records Retention

Files should be maintained for as long as necessary but only according to requirements set in the charter school's records retention policy.

Copies of critical records that are vital to the charter school's daily operations should be kept off site in case of disaster. This may include information needed to file insurance claims (asset lists, insurance contacts,

policy numbers), financial data for tax purposes (wages paid, income and expenses), contact lists to inform or restart the business (vendors, customers, investors and employees), and other data to help rebuild the business (business plans, intellectual property, or proprietary information).

Destruction of Class 3: Disposable Records

Within three to six months after the end of each school year, all Class 3 records should be destroyed. In other words, **all records are to be preserved until they are deemed Class 3 records**.

FCMAT recommends circulating a list of records to be destroyed to all affected individuals for review and comment 30 days prior to destruction. The list of records destroyed should be maintained permanently.

Destruction of the files or records can be performed by an independent, outside service to prevent reconstruction of the records. Disposal of records into the charter school's trash should not be allowed.

Disposal Period

All Class 3: Disposable records shall not be destroyed until after the third July 1 succeeding the completion of the charter school's annual independent audit required by Education Code or of any other legally required audit, or after the ending date of any retention period required by any agency other than the state of California, whichever date is later. For example, if the June 30, 2015 annual independent audit were completed and issued by December 15, 2015, the third July 1 after completion of the audit would be July 1, 2018.

Unless otherwise specified in policy, all Class 3: Disposable records shall be destroyed during the third school year after the school year in which they originated (e.g., 2014-15 records may be destroyed after July 1, 2018).

When in doubt about when a record should be disposed of or destroyed, do not destroy a nonpermanent record until seven years after the end of the fiscal year in which the record was created. For example, if a document was created in February 2016, the end of the fiscal year is June 30, 2016; therefore, the document would not be destroyed until July 1, 2023 or later.

Examples of Class 1, 2 and 3 Records

Class 1: Permanent Records — Do Not Destroy

A. Annual Reports

- Official budget.
- Financial report of all funds, including cafeteria and student body funds.
- Audit of all funds.
- Average daily attendance, including reports for the first and second interim reporting periods (P-1 and P-2).
- Other major annual reports, including:
  - Those containing information about property, activities, financial condition, or transactions.
  - Those the governing board has declared permanent.

B. Official Actions

- Minutes of the governing board or committees thereof, including the text of a rule, regulation, policy or resolution not set forth verbatim in the minutes but included therein by reference.

- Elections, including the call for and the result (not including detail documents such as ballots) of an election called, conducted or canvassed by the governing board for a board member, his or her recall, issuance of bonds incurring any long-term liability, change in maximum tax rates, reorganization, or any other purpose.
- Records transmitted by another agency that pertain to that agency's action with respect to the charter school's reorganization.

C. Personnel Records (Employees)

- All employee records related to employment, assignment, amounts and dates of service rendered, termination or dismissal, sick leave, rate of compensation, salaries or wages paid, and deductions or withholdings made and the person or agency to whom such amounts were paid. In lieu of detailed records, a complete and accurate summary payroll record for every employee of the school district containing the same data may be classified as Class 1: Permanent, and the detailed records may then be classified as Class 3: Disposable.
- Information of a derogatory nature as defined in Education Code Section 44031 shall be Class 1: Permanent only after it becomes final. This information becomes final when:
  - The time for filing a grievance has lapsed, or
  - The document was for a grievance that has been sustained by the grievance process.

D. Pupil Records

- The enrollment and scholarship records for each pupil.
- All records pertaining to any accident or injury involving a minor and for which a claim for damages has been filed as required by law, including any policy of liability insurance relating thereto, except that these records cease to be Class 1: Permanent records one year after the claim has been settled, or sooner if the statute of limitations has run out.
- Any item of information in any form (i.e., written, electronic, or other) that is directly related to a current or former pupil and is maintained by the charter school is considered a pupil record.

E. Property and Insurance Records

- All detailed records related to land, buildings and equipment. In lieu of such detailed records, a complete property ledger may be classified as Class 1: Permanent, and the detailed records may then be classified as Class 3: Disposable, if the property ledger includes the following:
  - All fixed assets.
  - An equipment inventory.
- For each item of property, the date of acquisition or augmentation, the person from whom acquired, an accurate description or identification, and the amount paid. Comparable information is required if the unit is sold, lost, or otherwise disposed of.
- All insurance records. Insurance policies are contracts and should be retained indefinitely. Certain lawsuits may go back many years.

F. Historical records.

- Articles of incorporation

- IRS nonprofit determination letter
- Administrative guides
- Annual reports
- School employee directories
- Employee newsletters and handbooks
- Educational objectives, charter school goals and reaffirmation of loyalty
- Racial and ethnic surveys
- Yearbooks and other school publications
- All unique or old administrative and instructional publications
- All identified or identifiable photos of charter school people, places and events
- All unique or old documents or publications about the history of the charter school

Class 2: Optional/Temporary Records

Any record worthy of temporary preservation but not classified as Class 1: Permanent may be classified as Class 2: Optional/Temporary and shall then be retained until reclassified as Class 3: Disposable.

If the CFO, charter school president, or governing board decide that classification should not be made, all records of the prior year may be classified as Class 2: Optional/Temporary, pending further review and classification within one year. Optional/Temporary records may include records considered useful for administrative, legal, fiscal or other purposes, and may remain Optional/Temporary for a period of years.

Examples of Optional/Temporary records include:

A. Gross receipts

Gross receipts show the income received. The charter school should keep supporting documents that show the amounts and sources of gross receipts, such as the following:

- Cash register tapes (e.g., for student store sales)
- Bank deposit slips
- Receipt books
- Invoices
- Credit card charge slips
- Forms 1099-MISC, Miscellaneous Income
- Other cash receipts such as cash count forms and receipt books

B. Inventory

Inventory is a record of any item purchased and resold to customers, even if it is for fundraising. If the charter school is the manufacturer or producer of an item, the inventory includes the cost of all raw materials or parts purchased for manufacture. Supporting documents should show the amount paid and that the amount was for inventory. Documents that report the cost of inventory include the following:

- Canceled checks
- Cash register tape receipts
- Credit card sales slips and invoices

These records help a charter school determine the value of its inventory at the end of the year.

C. Expenses

Expenses are the costs incurred (other than the cost of inventory) to carry on the charter school's business. Supporting documents should show the amount paid and that the amount was a business expense. Documents include the following:

- Canceled checks
- Cash register tapes
- Account statements
- Credit card sales slips
- Invoices
- Petty cash slips for small cash payments

D. Travel, transportation, entertainment, and gift expenses

Specific recordkeeping rules apply to these expenses. For more information, see IRS Publication 463.

E. Employment taxes

Specific employment tax records must be retained. For a list, see IRS Publication 15.

- Keep employment tax records for at least four years after the date the tax is due or is paid, whichever is later.

F. Assets

Assets are the property the charter school owns and uses, such as real estate, machinery and furniture. A charter school must keep records that verify certain information about its assets. These records are needed to determine annual depreciation and the gain or loss when assets are sold.

Asset records should show the following information:

- When and how the asset was acquired
- Purchase price
- Cost of any improvements
- Deductions taken for depreciation
- Deductions taken for casualty losses, such as losses from fires or storms
- How the asset was used
- When and how the asset was disposed of

- Selling price
- Expenses of sale

The following documents may provide this information:

- Purchase and sales invoices
- Real estate closing statements
- Canceled checks

G. Other

- General ledger detail report
- All bank records (e.g., bank statements and bank reconciliations)
- All income tax returns
- All minutes of all charter school meetings

H. Record retention time limits – IRS nonprofit tax return standards

To help nonprofits follow its record retention requirements for documents related to filing nonprofit tax returns, the IRS provides guidance for how long records should be kept. Record retention time limits for income tax returns offer the best guidance because most recordkeeping is to comply with IRS requirements.

1. Keep records for three years if situations 4, 5, and 6 below do not apply to the nonprofit.
2. If the nonprofit files a claim for a credit or refund after having filed its return, keep records for three years from the date the original return was filed or two years from the date the tax was paid, whichever is later.
3. If the nonprofit files a claim for a loss from worthless securities or a deduction for bad debt, keep records for seven years.
4. If the nonprofit does not report income that it should have reported, and that income is more than 25% of its gross income shown on its return, keep records for six years.
5. If the nonprofit does not file a return, keep records indefinitely.
6. If the nonprofit files a fraudulent return, keep records indefinitely.

Class 3: Disposable Records

All records not classified as Class 1: Permanent or Class 2: Optional/Temporary shall be classified as Class 3: Disposable, including but not limited to the following:

- Records essential to an audit, including those related to attendance, average daily attendance, or business or financial transactions (e.g., purchase orders, invoices, warrants, ledger sheets, canceled checks and stubs, and student body and cafeteria fund records), and detailed records used in the preparation of any other report.
- Teachers' registers may be classified as Class 3: Disposable only if all pupil information associated with the teachers' registers is retained in other records or if the pupil record information is removed from the teachers' register and is classified as Class 1: Permanent.

- Periodic reports including daily, weekly, and monthly reports, bulletins and instructions.

Federal Funds

United States Code, Title 20, Section 1232f (a) states:

> Each recipient of federal funds under any applicable program through any grant, subgrant, cooperative agreement, loan, or other arrangement shall keep records which fully disclose the amount and disposition by the recipient, of those funds, the total cost of the activity for which the funds are used, the share of that cost provided from other sources, and other records as will facilitate an effective financial or programmatic audit. The recipient shall maintain such records for three years after the completion of the activities for which the funds are used.

Title 20, Section 1232f (b) states:

> The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access, for the purpose of audit examination, to any records maintained by a recipient that may be related, or pertinent to, grants, subgrants, cooperative agreements, loans, or other arrangements to which reference is made in subsection (a) of this section, or which may relate to the compliance of the recipient with any requirement of any applicable program.

Electronic Records

For purposes of this policy, an electronic record is defined as a computer-generated record. This means an email, pdf, Microsoft Excel, Word, or PowerPoint file, JPEG, WAV, or other file created using computer software or hardware and stored in any electronic medium including but not limited to magnetic, tape, disc, or other type of drive device, or cloud-based storage. A paper printout of an electronic record is not considered an electronic record.

Records Not Subject to Records Retention

The following are not considered records and therefore are not covered by the records retention policy and may be destroyed at any time by any member of the charter school:

- Preliminary drafts and informal notes that have no further value to the charter school.
- Personal notes and personal correspondence, including personal email correspondence, even if it is created or sent using a charter school computer or on the charter school's premises.
- Personal financial or tax information, or any other information of a purely personal nature, even if those records are kept on the charter school's premises or on its computers.
- Advertisements, spam or junk email of any kind received by the charter school or any charter school employee or computer.
- Library books, magazines, and pamphlets not prepared by or for the charter school.
- Textbooks, maps used for instruction, and other instructional materials.
- Any other document (paper or electronic, including email) that has nothing to do with the charter school's business or with its students, teachers, management, other employees, or contractors.

Litigation Hold

In the event of a threatened or pending lawsuit, the charter school may be required by law to retain records, including emails, beyond the established retention period so that they remain subject to legal discovery. Consult legal counsel if such a demand is received, and do not dispose of the records until advised by counsel.

Pacific View Charter Board Meeting
April 21, 2026

Administrative

AGENDA ITEM

5.3.1 - Board Governance Policy #5

Information Summary
Board Governance Policy #5 has been updated to ensure the school's Brown Act compliance policy aligns with current legal requirements documented in the booklet distributed to the board in January 2026 (current as of October 2025). The Ralph M. Brown Act governs open meeting practices for legislative bodies in California, including charter school governing boards.

As statutory requirements and legal interpretations evolve, it is necessary for the school to periodically review and revise its policies and procedures to ensure ongoing compliance. Updates may address areas such as meeting notice timelines, agenda posting requirements, teleconference and remote meeting provisions, and opportunities for public participation.

Responsible Party
Fiscal and Operations Coordinator Chang will discuss the changes.

Recommended Action:
That the board approves the revisions to Board Governance Policy #5.

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BOARD OF TRUSTEES' MEETINGS – BROWN ACT COMPLIANCE

I. Types of Meetings

A. Regular Meetings

Regular meetings of the Board of Trustees of Pacific View Charter School ("Board") shall be held consistent with the calendar for such meetings as established by the Board each year.

~~If at any time any regular meeting falls on a holiday, (Federal, State or local), such regular meeting shall be held on the next business day.~~

When required by law, meetings of advisory committees or standing committees, for which an agenda is posted at least 72 hours in advance of the meeting in accordance with law, shall be considered regular ~~Board~~committee meetings.

B. Special Meetings

Special meetings may be called on an as-needed basis by the Chairman of the Board or a majority of the members of the board, consistent with legal requirements.

C. Emergency Meetings

Emergency meetings may be called by a Board majority when an emergency situation arises involving matters upon which prompt action is necessary~~. An emergency situation is defined as a work stoppage, crippling activity, or other activity that severely impairs public health, safety, or both~~ due to the disruption or threatened disruption of public facilities in accordance with law.

II. Notification of Meetings

A. Regular Meetings

Notice of the time and place of regular meetings, along with the agenda and supporting documentation, will be provided to all Board members and those persons or entities who have previously requested notice of such meetings, not later than 72 hours prior to a regular meeting. The notice and agenda will also be posted in a location that is freely accessible to members of the public not later than 72 hours prior to a regular meeting.

The notice and agenda will be posted on the School's website on the School's Website homepage through a prominent, direct link. The direct link shall not be in a contextual menu. The agenda shall be posted in an open format that meets all of the following requirements: 1) retrievable, downloadable, indexable, and electronically searchable by commonly used internet search applications; 2) platform independent and machine readable; 3) available to

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the public free of charge and without any restriction that would impede the reuse or redistribution of the agenda.

It is the Executive Director or designee's responsibility to provide notice and copies of the agenda and supporting documentation for regular meetings.

B. Special Meetings

Notice of the time and place of special meetings, along with the agenda and supporting documentation, will be provided to all Board members and those persons who have previously requested notice of such meetings, not later than 24 hours prior to a regular meeting. Board members and media outlets (local newspapers, radios and/or television stations), that have requested notice in writing, will be provided written notice delivered personally or by any other means to ensure receipt at least 24 hours before the time of the special meeting. The agenda packet will be mailed ~~or emailed~~ to all other persons requesting a copy of the agenda, and supporting documents under Government Code section 54954.1 at the time the materials are distributed to all members of the Board if possible or, if not a majority of the Board.

The notice and agenda will be posted on the School's website in line with the posting requirements described for Regular meetings and in a location that is freely accessible to members of the public not later than 24 hours prior to a special meeting.

It is ~~the~~ Executive Director or designee's responsibility to provide notice and copies of the agenda and supporting documentation for special meetings.

The agendas will be posted on the School's primary website homepage accessible through a prominent, direct link.

~~**A.**~~**C.** Emergency Meetings

In the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, notice to the Board will be provided as soon as is reasonably practicable under the circumstances. All media outlets that have requested notice of special meetings shall be notified one hour prior to the emergency meeting, or in the case of a dire emergency, at or near the time that the Board members are notified of the emergency meeting. The notice shall be given by telephone and all telephone numbers provided by the media outlet in the request for notice shall be exhausted. If telephones are not working, the notice requirement is waived and the medial shall be notified of the fact of the holding of the emergency meeting, the purpose of the meeting and any action taken at the meeting as soon after the meeting as possible.

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~~II.~~III. Agendas

A. Preparation of Agenda and Process

The Executive Director or designee shall be responsible for preparing the agendas for all meetings of the Board.

The Executive Director shall include on the agenda items that relate to school business as are requested for inclusion by Board members, and determined by the Chairman of the Board to be appropriate for discussion at that meeting. In addition, a ~~member of the public~~citizen may request that a topic directly related to school business be placed on the agenda. ~~The~~ The Executive Director and/or Chairman of the Board shall determine, in his/her discretion, whether the ~~public~~citizen request is or is not an item directly related to school business. No ~~public~~citizen-requested item shall be placed on the agenda if it is repetitive of a previous item placed on an agenda and considered by the Board. Placement of any item on the agenda is in the sole discretion of the Executive Director and/or Board Chair.

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Requests for items to be included on the agenda by Board members, school employees or ~~members of the public~~citizens shall be in writing and submitted to the ~~Executive~~ Director's office no later than seven (7) working days prior to the next regularly scheduled Board meeting.

At a Board meeting, Board members or the ~~Chairman of the Board~~Executive Director may request that a topic be placed on the agenda, which topic had been recently considered and acted upon by the Board, provided there is new and relevant information on the topic. Discussion at the meeting is limited to determination of whether to reconsider the agenda topic at the next Board meeting.

B. Contents of the Agenda

~~Except as modified by Government Code section 54953(e), in~~In preparing the agenda, the Executive Director shall include the following:

- Time and location of the meeting, including, if applicable, any teleconferencing location(s~~);~~) if using the original teleconferencing rules;
- A brief general description of all items of business to be transacted or discussed at the meeting, including those items to be discussed in closed session; Closed session items must be described in accordance with Government Code section 54954.5;
- An opportunity for members of the public to directly address the Board in accordance with the Board's public comment policy (addressed below);
- ~~If teleconference locations are being utilized, an opportunity for members of the public to address the Board directly at each teleconference location; and~~
- Information regarding how, to whom and when a request for disability related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires a modification or accommodation in order to participate in the public meeting.

~~III.~~**IV.** Supporting Information Relating to Agenda Items

The Executive Director or designee is responsible for preparing all supporting information that may accompany each agenda topic originating from the administration or the Board.

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The purpose of preparing supporting information is to facilitate decision-making on the part of the Board members by having available to them in advance of Board meetings comprehensive data pertaining to each agenda topic. The supporting information shall accompany the agenda and be delivered to the Board members concurrently with the agenda~~.~~, if possible.

If supporting materials are distributed to Board members during a public meeting, such materials will be made available for public inspection at the meeting if prepared by the Executive Director. If such materials are prepared by ~~some other persona~~ third-party, they shall be made available after the meeting at which they were distributed. The Board may charge a fee or deposit for a copy of such materials.

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If written materials are provided to a majority of Board members less than 72 hours in advance of a regular meeting, the writing is to be available to the public for inspection at that time. The School's administrative offices located at 3670 Ocean Ranch Blvd, Oceanside CA 92056 are designated for this purpose, which shall also be identified on the agenda. Additional processes for these written materials may be followed in accordance with Government Code section 54957.5(b)(2)(B).

These materials will be made available in appropriate alternative formats upon request by a person with a disability, as required by the Americans with Disabilities Act (42 U.S.C. § 12132). No surcharge will be imposed on persons with disabilities in violation of the Americans with Disabilities Act.

Members of the publicCitizens who request to have a topic placed on the agenda are encouraged to submit, in writing, supporting information detailing their reason for having the topic placed on the agenda and what is being requested of the Board. This is intended to provide background information for Board members to help expedite the Board's handling of the topic at the Board meeting.

IV.V. Board Meetings

A. Open Session

All regular, special and emergency meetings of the Board shall be open to the public and the media, except Closed Sessions as authorized by law.

B. Public Participation at Meetings

Public comment generally: At a regular meeting, any person may address the Board concerning any item on the agenda and any other matters under the Board's jurisdiction. At a special meeting, any person may address the Board only concerning the items on the agenda. The total time devoted to presentations to the Board on all public comment (including agenda items and non-agenda items at regular meetings) shall not exceed one-half hour, unless additional time is granted by the Board. At the discretion of the Chairman of the Board, individuals may be granted 5 minutes to make a presentation to the Board. Normally, individuals will be granted 2 minutes each for public comment. Individuals who utilize a translator will be given twice the allotted time to a member of the public to ensure that non-English speakers receive the same opportunity to directly address the Board. If the Board makes available simultaneous translation equipment in a manner that allows the Board to hear the translated public testimony simultaneously, this additional time allotment does not apply.

Limits on public comment: The Chairperson may curtail individual presentations if repetitive of points raised by others, particularly if it appears the total allotted time may be

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exceeded. Any person who addresses the Board shall not make personal impertinent, slanderous or profane remarks to any Board member, staff or the general public. Any person who makes such remarks, or who utters loud, threatening, personal or abusive language, or engages in any other disorderly conduct that disrupts, disturbs or otherwise impedes the orderly conduct of any Board meeting shall, at the discretion of the Chairman of the Board or a Board majority, be barred from the audience before the Board during that meeting.

In the event that any meeting is willfully interrupted by a group(s) of persons so as to render the orderly conduct of such meeting unfeasible, and order cannot be restored by the removal of individuals who are willfully interrupting the meeting, the Board may order the meeting room cleared and continue the session. Only matters appearing on the agenda may be considered in such a session. Representatives of the press or other media, if not participating in the disturbance, shall be allowed to attend any such session.

~~Members of the public~~Citizens desiring Board action on an item are required to seek placement of the issue on the Board agenda in accordance with policy rather than presenting the matter during general public comment. This will facilitate discussion and expedite resolution.

~~A two-way teleconference location shall be established at each resource center.~~

Disorderly Conduct: The presiding member of the Board, or their designee, may remove, or cause the removal of an individual for disrupting the meeting. Prior to removing the individual, the presiding member or designee shall warn the individual that their behavior is disrupting the meeting and that their failure to cease the behavior may result in their removal. The presiding member or designee may then remove the individual if they do not promptly case their disruptive behavior. Disrupting means engaging in behavior during a meeting of a legislative body that actually disrupts, disturbs, impedes, or renders infeasible the orderly conduct of the meeting and includes, but is not limited to, one of the following: A failure to comply with reasonable and lawful regulations adopted by the Board or any other law or engaging in behavior that constitutes use of force or a true threat of force.

Time for public comment: All public comment concerning all matters shall be heard immediately after the meeting is called to order and prior to the formal discussion of the agenda topics by the Board and consideration of action.

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Recording and/or broadcasting of meeting: Persons attending an open meeting have the right to record or broadcast the proceedings~~ with an audio or video tape recorder or a still or motion picture camera~~ unless the Board reasonably finds that the recording or broadcast cannot continue without noise, illumination or obstruction of view that constitutes, or would constitute, a persistent disruption of the proceedings.

Requests to address the Board: Prior to the beginning of the meeting, ~~members of the public~~citizens seeking to address the Board on an item on the agenda or during time allocated for public comment shall complete the card, "Request to Address the Board" (located in the Board Meeting Room), and give it to the Board Secretary, or their designee~~. Members of the public participating in a teleconference meeting may notify the Director of Business Services at 760-757-0161 of their request to address the Board during public comment~~.

C. Board Members at Meetings

Board discussion: For regular and special meetings, no action or discussion shall be taken on any item not appearing on the posted agenda. At a regular meeting, however, Board members or staff may briefly respond to statements made or questions posed by persons during public comment. At regular meetings, a Board member may, on his/her own initiative or in response to a question posed by the public, ask a question for clarification, make a brief announcement or make a brief report on his/her own activities. Additionally, a Board member may provide a reference to staff or other resources for factual information, request staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct staff to place a matter of business on a future agenda.

Certain discussions prevented in special meetings and required announcements in regular meetings: The Board may not discuss in any special meetings the salaries, salary schedules or compensation paid in the form of fringe benefits of the Executive Director or department heads (or other identified head of the School). This limitation, however, does not apply to the Board calling a special meeting to discuss the School's budget. Prior to taking final action, the Board shall orally report a summary of a recommendation for a final action on the salaries, salary schedules or compensation paid in the form of fringe benefits of the School's Executive Director and department heads during the open regular meeting in which the final action is to be taken.

Exceptions in regular meetings: In regular meetings, the Board may take action on items of business not appearing on the posted agenda if any of the following conditions apply: 1) A majority of the Board determines that an emergency situation exists (as defined by Govt. Code section 54956.5); 2) A determination by a two-thirds vote of the Board members present at the meeting, or if less than two-thirds are present, a unanimous vote of those Board members present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda was posted; or 3) The item was properly posted for a prior meeting occurring not more than five calendar days prior to the

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date action is taken on the item, and at the prior meeting, the item was continued to the meeting at which action is being taken. If items are discussed under these conditions, the Chairman of the Board shall publicly identify the item(s).

~~**Board Member Participation in Social Media**: In order to avoid a serial meeting, a member of the board may engage in separate conversations or communications on an internet-based social media platform to answer questions, provide information to the public, or to solicit information~~

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~~from the public regarding a matter that is within the subject matter jurisdiction of the board provided a majority of the members of the board do not use the internet-based social media platform to discuss among themselves business of a specific nature that is within the subject matter jurisdiction of the board that is made, posted, or shared by any other member of the board.~~

Closed session: Prior to holding any closed session, the Board shall disclose, in an open meeting, the item(s) to be discussed in the closed session. The disclosure may take the form of a reference to the item(s) as they are listed by number or letter on the agenda. In the closed session, the Board may consider only those matters covered in its statement.

After any closed session, the Board shall reconvene into open session prior to adjournment and make a report of any action taken in closed session and the vote or abstention of every Board member present thereon in accordance with Government Code section 54957.1.

D. Minutes of Board Meetings

Open session meetings: The minutes of open session meetings of the Board shall record all motions, show the names of Board members making and seconding motions and state the vote upon the motion, including the vote or abstention of every Board member present. In the event that Board members are participating via teleconferencing, all votes during the meeting shall be by roll call and will be reflected in the minutes. The open session minutes shall also record all resolutions, the recommendations of the administration and the substance of the Board's discussion or the substance of statements pertinent to Board's business made by members of the staff or public. The minutes shall follow the generally accepted pattern in form.

The original copy of the open session minutes shall be signed by the Secretary of the Board and approved by the ~~Clerk.~~Executive Director. Original minutes shall be bound in chronological order, volumed by fiscal year and paged consecutively.

Closed session meetings: The Board designates the ~~Board Secretary or designee~~Executive Director to attend each closed session of the Board and keep and enter in a minute book a record of topics discussed and decisions made at the meeting. The minute book for closed session is not a public record subject to inspection and shall be kept confidential. The minute book shall be available only to Board members, or when otherwise required by law. The minute book may, but need not, consist of a recording of the closed session.

Minutes for Emergency Meetings: Any time an emergency meeting is held, the minutes must provide a list of persons who were notified or attempted to be notified, a copy of the roll call vote, and any actions taken at the meeting. The minutes will be posted for a minimum of 10 days in a public place as soon after the meeting as possible.

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Storing the minutes: The official minutes of the Board (for open and closed sessions) shall be kept in fireproof storage. The following documents shall be bound with the official minutes and referred to in the text of the minutes to which they apply:

- Original copies of all resolutions unless required by other agencies, in which case photocopies of the originals may be substituted;
- Original copy of all budget transfers;

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- Copies of any document determined by the Board to be attached to the official minutes; and
- Other documents which, in the opinion of the Secretary, are necessary to fully substantiate or record Board action.

In addition to the official minutes, an additional copy of all minutes and attached documents shall be maintained in the office of the Secretary of the Board. This set of minutes shall be bound, indexed by those categories detailed above and by subject.

V. VI. Quorum Requirements

A majority of the voting members of the Board shall constitute a quorum of the Board, which is necessary for the Board to transact business. Every act or decision done or made All motions, in order to pass, need positive action by at least a majority of the trustees present at a meeting duly held at which a quorum is present is anfull Board. No act of the Board. is valid or binding unless a majority of all members concur therein.

Should there be less than a majority of the Board present at any meeting, the meeting shall be adjourned.

VI. VII. Continuances and Adjournment

A. Continuances

Items appearing on agendas for regular meeting may be continued to another meeting, to be held within 5 calendar days from the date of the originally posted meeting, without triggering the requirement that the agenda item be re-posted with the requisite notice.

If the Board is holding, has noticed or ordered a hearing, at any meeting, the Board may, by order or notice, continue or recontinue to any subsequent meeting of the Board in the same manner and to the same extent that a meeting may be adjourned (see below). If the hearing is continued to a time less than 24 hours after the time specified in the order or notice of hearing, a copy of the order or notice of continuance of hearing shall be conspicuously posted on or near the door immediately following the meeting at which the continuation was adopted or made. Govt. Code § 54955.1.

B. Adjournment

The Board may adjourn any regular or special meeting to a time and place specified in an order of adjournment. Less than a quorum may so adjourn from time to time. If all members are absent from any regular meeting, the Board Secretary may declare the meeting

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adjourned to a stated time and place and he/she shall cause a written notice of adjournment to be given in the same manner as provided for special meetings, unless such notice is waived for special meetings. A copy of the notice of adjournment shall be conspicuously posted on or near the door of the place where the regular or special meeting was held within 24 hours after the time of adjournment. When a regular meeting is adjourned, the resulting adjourned regular meeting is a regular meeting for all purposes. When an order of adjournment fails to state the hour at which the adjourned meeting is to be held, it shall be held at the hour specified for regular meetings.

~~VII.~~**VIII.** Teleconferencing ~~Rules During a State of Emergency~~Options

~~When~~A. Original Teleconferencing ~~During a State of Emergency~~Rules

Teleconferencing of board meetings or committee meetings are permitted for the benefit of the public and of the board or committee. Teleconferencing may be used for all purposes in connection with any meeting within the subject matter jurisdiction of the board or committee. All votes taken during a teleconferenced meeting shall be by rollcall. The teleconferenced meetings shall be conducted in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the board or committee. The board or committee shall give notice of the meeting and post agendas as otherwise required by the Brown Act and the agenda shall be posted at all teleconference locations. Members of the public shall be allowed access to the meeting and the agenda shall provide an opportunity for members of the public to address the board or committee directly and each location shall be accessible to the public. During the teleconference, at least a quorum of the members of the board or committee shall participate from locations within the boundaries of the territory over which the school exercises jurisdiction. GC 54953(b).

B. Just Cause Teleconferencing Rules

~~A.~~ A member of the board of trustees or committee may participate from a teleconferenced location for "Just Cause." "Just Cause" means any of the following: 1) Childcare or caregiving need of a child, parent, grandparent, grandchild, sibling, spouse, or domestic partner (as those terms are defined in Government Code section 12945.2) that requires them to participate remotely; 2) A contagious illness that prevents a member from attending in person; 3) A need related to a physical or mental condition that is ~~Permissible~~not subject to Government Code section 54953(c); 4) Travel while on official business of the school or another state or local agency; 5) An immunocompromised child, parent, grandparent, grandchild, sibling, spouse, or domestic partner of the member that requires the member to participate remotely; 6) A physical or family medical emergency that prevents a member from attending in person; 7) Military service obligations that result in a member being unable to attend in person because they are serving under official written orders for active duty, drill, annual training, or any other duty required as a member of the California National Guard or a United States Military Reserve organization that requires the member to be at least 50 miles outside the boundaries of the school.

~~The Board of Trustees may hold a meeting~~ In order to use "Just Cause" to participate via ~~teleconferencing without complying with~~ teleconference, the following rules apply:

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- At least a quorum of the members of the board or committee participates in person from a singular physical location clearly identified on the agenda, which location is open to the public and situated within the boundaries of the territory over which the School exercises jurisdiction;
- The member participating via teleconference notifies the board or committee at the earliest opportunity possible, including at the start of the regular meeting of their need to participate remotely for just cause, including a general description of the circumstances relating to their need to appear remotely at the given meeting;
- The member shall participate through audio and visual technology;
- No member of the board/committee may participate by teleconference from a remote location for just cause more than two meetings per year.
- The minutes for the meeting shall identify the specific reason for the member's participation for just cause relied upon to participate remotely.
- Members of the public must be able to remotely hear and visually observe the meeting and address the board/committee.
- The agenda needs to identify how the public may access the meeting and offer public comment, including an opportunity for all persons to attend via a call-in option or an internet-based service option.
- If a disruption prevents the board or committee from broadcasting the meeting to members of the public, or in the event of a disruption within the school's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the board or committee shall take no further action on items appearing until public access is restored.
- Public comment opportunities follow the requirements of Government Code section 54953~~(b)(3) in any of the following circumstances:~~.8(b)(6)(A), (B) & (C).

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- The Board of Trustees holds a meeting during a proclaimed state of emergency, and state or local officials have imposed or recommended measures to promote social distancing.

- The Board of Trustees holds a meeting A member of the board or committee shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member and the general nature of the member's relationship with those individuals.

C. State of Emergency Teleconferencing Rules

- A board or committee may conduct teleconference meetings during a proclaimed state of emergency foror local emergency, to do either of the following: 1) For the purpose of determining, by majority vote, whether as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees.

- The Board of Trustees holds a meeting during a proclaimed state of emergency and has determined, by majority vote,; 2) After a determination described in (1) is made that, as a result of the emergency, meeting in person would present imminent risks to the health or safety of attendees. In order to conduct teleconferenced meeting during a proclaimed state of emergency or local emergency, the following requirements must be met:

B. Requirements for Teleconferenced Meetings During a State of Emergency

If Board of Trustees holds a teleconferenced meeting during a proclaimed state of emergency, the School Board shall do all of the following:

- Give notice of the meeting and post agendas as otherwise required by the Brown Act.
- Allow members of the public to access the meeting and the If the state of emergency or local emergency remains active, in order to continue to teleconference, the board or committee shall, no later than 45 days after teleconferencing for the first time, and every 45 days thereafter, make specific findings by majority vote as articulated in Government Code section 54953.8.2(b)(1) & (2).
- The board or committee may elect to use a two-way telephonic service without a live webcasting of the meeting.
- The agenda shall provide an opportunity for members to address the School Board directly. The agenda shall also give notice of the means by which members of the needs to identify how the public may access the meeting and offer public comment. These opportunities may be by, including an opportunity for all persons to attend via a call-in option or an internet-based service option. No physical location will be provided to the public.

- Conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties and the public at the board meeting.

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~~C. Public Comment Rules~~

- ~~In the event of~~If a disruption ~~preventing~~prevents the ~~Board of Trustees~~board or committee from broadcasting the meeting to members of the public, or in the event of a disruption within the ~~School's~~school's control that prevents members of the public from offering public comments using the call-in option or internet-based service option, the ~~School Board~~board or committee shall take no further action on items appearing ~~on the meeting agenda until the~~until public access is restored.
- Public comment opportunities follow the requirements of Government Code section 54953.8(b)(6)(A), (B) & (C).
- A member of the board or committee shall publicly disclose at the meeting before any action is taken whether any other individuals 18 years of age or older are present in the room at the remote location with the member and the general nature of the member's relationship with those individuals.

D. Eligible Subsidiary Body Teleconferencing Rules

Eligible subsidiary bodies may conduct a teleconference meeting. An eligible subsidiary body is a legislative body as defined in Government Code section 54952 and serves exclusively in an advisory capacity. The following rules apply for eligible subsidiary bodies to hold meetings by teleconference.

- The subsidiary body shall designate one physical meeting location within the boundaries of the board where members of the subsidiary body who are not participating remotely shall be present and members of the public may physically attend, observe, hear, and participate in the meeting.
- At least one staff member of the subsidiary body or board shall be present at the physical meeting location during the meeting. The agenda shall be posted at the physical meeting location, but need not be posted at any remote location.
- A member of the subsidiary body shall visibly appear on camera during the open portion of a meeting that is publicly accessible via the internet or other online platform.
- The visual appearance of a member of the subsidiary body on camera may cease only when the appearance would be technologically infeasible, including, but not limited to, when the member experiences a lack of reliable broadband or internet connectivity that would be remedied by joining without video. In that instance, the member shall announce the reason for their nonappearance prior to turning off their camera.
- In order to use teleconferencing by a subsidiary body, the board of trustees shall make the following findings by majority vote before the subsidiary body uses teleconferencing for the first time, and every six months thereafter:
    - The board of trustees has considered the circumstances of the subsidiary body
    - Teleconference meetings of the subsidiary body would enhance public access to ~~the meeting is restored. Actions taken on agenda items during a disruption that prevents the School from broadcasting the meeting may be challenged.~~meetings of the subsidiary body, and the public has been made aware of the type of remote participation, including audio-visual or telephonic,

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that will be made available at a regularly scheduled meeting and has been provided the opportunity to comment at an in-person meeting of the board of trustees authorizing the subsidiary body to meet entirely remotely

~~The Board of Trustees shall not require public comments to be submitted in advance of the meeting and must provide an opportunity for the public to address the School Board and offer comment in real time.~~

~~Public comment shall not be closed for any agenda item for which there is a time associated with public comment until that timed public comment period has elapsed.~~

~~**D.** Requirements to Continue Using Teleconferencing During a State of Emergency~~

~~If a state of emergency remains active, or state or local officials have imposed or recommended measures to promote social distancing, in order to continue to teleconference without compliance with Government Code section 54953(b)(3), the School Board shall, not later than 30 days after teleconferencing for the first time and every 30 days thereafter, make the following findings by majority vote:~~

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- ~~The Board of Trustees has reconsidered the circumstances of the state of emergency.~~

- ~~Any of the following circumstances exist: 1) The state of emergency continues to directly impact the ability of the members to meet safely in person; 2) State or local officials continue to impose or recommend measures to promote social distancing.~~

    - Teleconference meetings of the subsidiary body would promote the attraction, retention, and diversity of subsidiary body members
- Once the board of directors makes the foregoing findings, the subsidiary body shall approve the use of teleconferencing by majority vote before using teleconferencing

A subsidiary body using teleconferencing may request to present any recommendations it develops to the board of directors. Upon receiving that request, the board of directors shall hold a discussion at a regular meeting held within 60 days after the board of directors receives the request, or at the next regular meeting after the request is received. This discussion shall not be placed on a consent calendar. The board of directors shall not take any action on any recommendation until the next regular meeting of the board of directors following the discussion described herein.

Adopted: ~~05-25-2022~~

Amended:

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Pacific View Charter Board Meeting
April 21, 2026

Administrative

AGENDA ITEM

5.3.2 - Revised Organizational Chart

Information Summary
This item is presented to inform the Board of a revised organizational chart that reflects the charter school's current structure and documents existing reporting relationships and lines of supervision. The updated chart provides transparency in reporting relationships and supports improved communication and accountability across the organization.

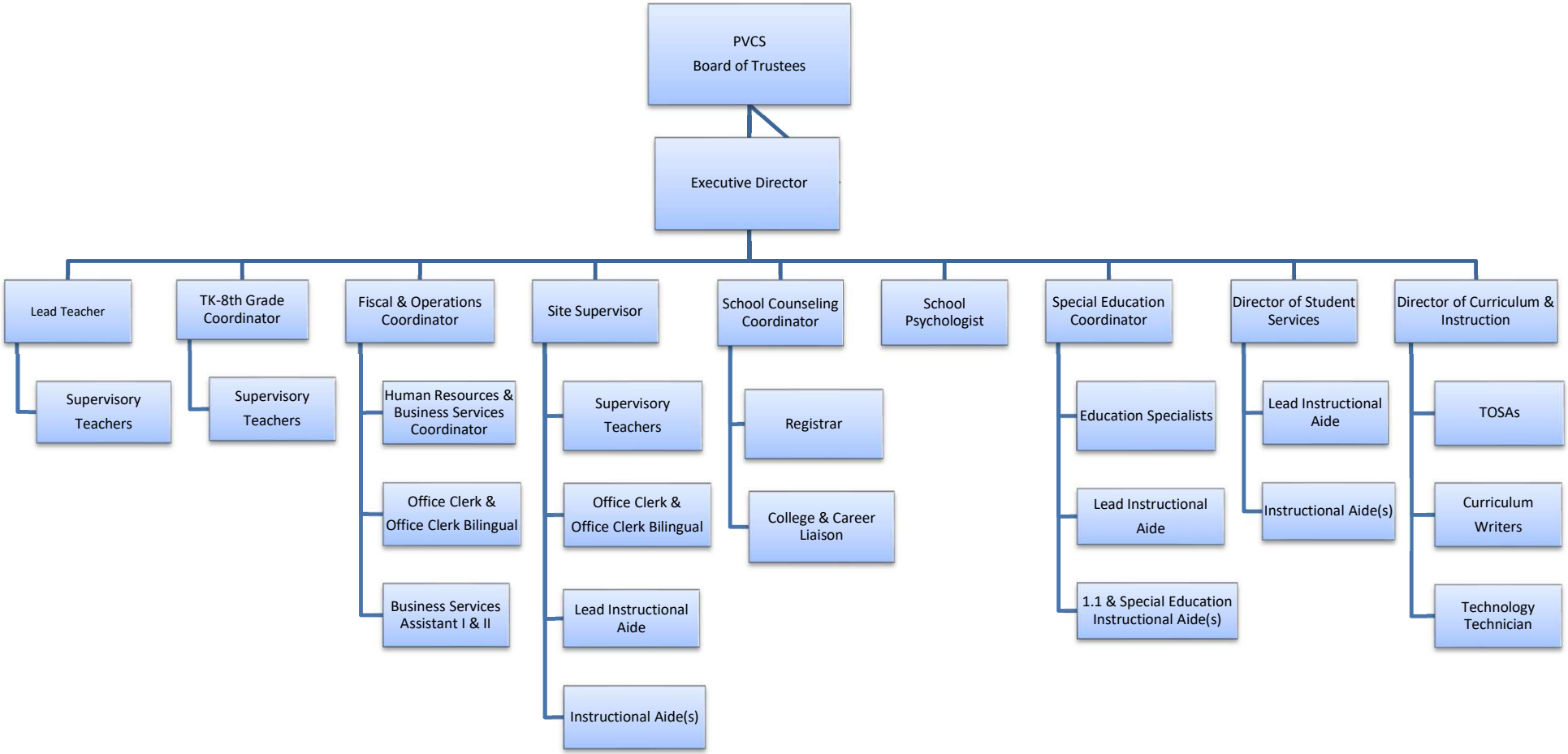
This update does not necessarily represent structural changes, but rather ensures that the documented organizational framework aligns with current practice.

Responsible Party
Executive Director Gorence will discuss the organizational chart.

Recommended Action:
That the board approves the organizational chart as presented.

Top

Pacific View Charter School
Organizational Chart



Pacific View Charter Board Meeting
April 21, 2026

Administrative

AGENDA ITEM

5.3.3 - Updated Safety Policy #1

Information Summary
This policy has been updated to accurately reference the revised name to the school's emergency plans. Previous documents were referred to as the Crisis Plans, which has now evolved into the Comprehensive School Safety Plan.

Responsible Party
Fiscal and Operations Coordinator Chang will discuss the changes.

Recommended Action:
That the board approves the updates to the Safety Policy #1 as presented.

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Pacific View Charter School

School Safety School Safety Policy #1

COMPREHENSIVE SCHOOL SAFETY PLAN

~~Crisis Plan~~

Charter schools are required to adopt comprehensive school safety plans in line with Education Code section 32282(a)(2)(A)-(N). Pacific View Charter maintains a Comprehensive School Safety Plan ~~Crisis Plan~~ that is updated annually and approved by the board. Staff training for Fire, Active shooter and Earthquake is conducted annually. Other crisis situations, events, as well as the ones above, are covered in the Comprehensive School Safety Plan ~~Crisis Plan~~ with written procedures to follow for each emergency. The document also includes duties delegated to staff members, evacuation locations and family reunion procedures.

In the event of an earthquake, flood or other natural disaster, to communicate with parents and the community, the Executive Director or designee may release information to local media authorities and/or make personal phone calls to parents/guardians as appropriate.

Board Approved : March 1, 2005 Amended: 1.16.2024
4.xx.2026

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Pacific View Charter Board Meeting
April 21, 2026

Curriculum

AGENDA ITEM

5.4.1 - Economics Course Outline

Information Summary
A curriculum rewrite and textbook adoption necessitated the revised Economics course outline

Responsible Party
Director of Curriculum and Instructions Gibson will discuss the Economics course outline.

Recommended Action:
That the Board approves the Economics Course outline as presented.

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~~Pacific View Charter School Course Outline~~

~~Course Title: Economics~~ **~~Course #: 1790~~**

~~Department: Social Science~~ **~~Credits: 5~~**

~~Course Description:~~

~~Students will deepen their understanding of the economic problems and institutions of the nation and the world. The Interactive textbook includes charts, graphs, timelines, content related videos, note-taking tips, writing assignments and a link to current events. The course will help the students learn to make reasoned decisions on economic issues as future citizens, workers, consumers, and business people. This course follows the California History-Social Science Framework and Model Curriculum Standards.~~

~~Student Outcomes:~~

~~The student will be able to:~~

~~1. Understand the fundamental concepts, terms, problems, and basic choices of economics.~~

~~2. Understand the three basic economic systems: traditional, market, and command.~~

~~3. Examine Microeconomics, the operation of markets, supply and demand, labor market, the role of government, forms of business organization and advertising.~~

~~4. Study Macroeconomics, the functioning of our economy as a whole: GDP, CPI, monetary policy, federal budget and deficit.~~

~~5. Know the characteristics of international trade, the balance of trade, and the role of tariffs and quotas.~~

~~6. Know consumers' basic rights and responsibilities.~~

~~7. Explore new theories on economics and the business model.~~

~~Assessment:~~

~~Assessment of student outcomes will be based on student performance through examinations, assignments, and qualitative evaluations. Assessments will help students to analyze, interpret, explain, synthesize, evaluate, and communicate.~~

~~Instructional Materials:~~

~~Economics Principles in Action, Prentice Hall, 2007 Economics Principles in Action Interactive Textbook, Prentice Hall, 2007~~

Board Approval Date: 3/18/08 **Amended: 8/19/14**

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PACIFIC VIEW CHARTER SCHOOL

Pacific View Charter School Course Outline

Course Title: Economics
Department: Social Studies
Credits: 5.0

Course #: 1047
Co-Prer-equisite: US History A/B
A-G Approved: Yes

Course Description:
This course introduces students to the fundamental principles of economics and how economic systems influence decision-making at the individual, national, and global levels. Students explore concepts such as scarcity, supply and demand, market structures, fiscal and monetary policy, banking, and globalization. Through readings, case studies, discussions, and applied activities, students analyze how governments, institutions, and individuals respond to economic challenges. Students will develop critical thinking skills by evaluating economic policies, interpreting data, and applying economic reasoning to real-world issues.

Student Outcome:

1. Students will apply economic reasoning to analyze choices made with limited resources.
2. Students will evaluate market mechanics and compare various market structures.
3. Students will critique the effectiveness of government fiscal and monetary policies.
4. Students will demonstrate skills in managing personal and business finances.
5. Students will synthesize global trade-offs and debate complex international issues.

Assessment:
To ensure students grasp the course's essential questions, each unit concludes with a multiple-choice and short-answer assessment focused on key concept mastery. The course culminates in the Final Economic Analysis project, where students apply their knowledge of supply and demand, fiscal policy, and market structures to evaluate a real-world economic issue. A comprehensive final assessment, pulling from previous weekly topics, serves as the final benchmark of cumulative learning.

Instructional Materials: Econ Alive! The Power to Choose. TCI 3rd edition

Board Approval Date: 3/18/08 **Amended: 8/19/14**

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Pacific View Charter Board Meeting
April 21, 2026

Personnel

AGENDA ITEM

5.5.1 - 2026-27 Declaration of Need

Information Summary
Declaration of Need for CDE for possible needed positions for 26-27 school year

Responsible Party
HR & Business Services Coordinator Hernandez will discuss the Declaration of Need.

Recommended Action:
That the Board approves the Declaration of Need as presented.

Top

State of California
Commission on Teacher Credentialing
Certification Division
651 Bannon Street, Suite 601
Sacramento, CA 95811

Email: DON@ctc.ca.gov
Website: www.ctc.ca.gov

DECLARATION OF NEED FOR FULLY QUALIFIED EDUCATORS

Original Declaration of Need for year: 2027

Revised Declaration of Need for year: _____

FOR SERVICE IN A SCHOOL DISTRICT OR DISTRICT/COUNTY AUTHORIZED CHARTER SCHOOL

Name of District or Charter: Pacific View Charter School District CDS Code: 37-73569-373121

Name of County: San Diego County CDS Code: 37-10371

By submitting this annual declaration, the district is certifying the following:

- A diligent search, as defined below, to recruit a fully prepared teacher for the assignment(s) was made
- If a suitable fully prepared teacher is not available to the school district, the district will make a reasonable effort to recruit based on the priority stated below

The governing board/body of the school district or charter school specified above adopted a declaration at a regularly scheduled public meeting held on 4/21/2026 certifying that there is an insufficient number of certificated persons who meet the district's specified employment criteria for the position(s) listed on the attached form. The attached form was part of the agenda, and the declaration did NOT appear as part of a consent calendar.

▶ ***Enclose a copy of the board agenda item***

With my signature below, I verify that the item was acted upon favorably by the board. The declaration shall remain in force until June 30, 2027.

Submitted by (Superintendent, Board Secretary, or Designee):

Erin L. Gorence		Executive Director
Name	*Signature*	*Title*
(760) 435-2666	(760) 757-0161 ext 148	4/22/2026
Fax Number	*Telephone Number*	*Date*

3670 Ocean Ranch Blvd Oceanside, CA 92056
Mailing Address

egorence@pacificview.org
EMail Address

FOR SERVICE IN A COUNTY OFFICE OF EDUCATION, STATE AGENCY OR NONPUBLIC SCHOOL AGENCY

Name of County _____ County CDS Code _____

Name of State Agency _____

Name of NPS/NPA _____ County of Location _____

The Superintendent of the County Office of Education or the Director of the State Agency or the Director of the NPS/NPA specified above adopted a declaration on ____/____/____, at least 72 hours following his or her public announcement that such a declaration would be made, certifying that there is an insufficient number of certificated persons who meet the county's, agency's or school's specified employment criteria for the position(s) listed on the attached form.

The declaration shall remain in force until June 30, _____.

▶ ***Enclose a copy of the public announcement***

Submitted by Superintendent, Director, or Designee:

_____	_____	_____
Name	*Signature*	*Title*
_____	_____	_____
Fax Number	*Telephone Number*	*Date*

_____

Mailing Address

_____

EMail Address

▶ *This declaration must be on file with the Commission on Teacher Credentialing before any emergency permits will be issued for service with the employing agency*

AREAS OF ANTICIPATED NEED FOR FULLY QUALIFIED EDUCATORS

Based on the previous year's actual needs and projections of enrollment, please indicate the number of emergency permits the employing agency estimates it will need in each of the identified areas during the valid period of this Declaration of Need for Fully Qualified Educators. This declaration shall be valid only for the type(s) and subjects(s) identified below.

This declaration must be revised by the employing agency when the total number of emergency permits applied for exceeds the estimate by ten percent. Board approval is required for a revision.

Type of Emergency Permit	**Estimated Number Needed**
CLAD/English Learner Authorization (applicant already holds teaching credential)	5
Bilingual Authorization (applicant already holds teaching credential)	_____
List target language(s) for bilingual authorization: _____	
Resource Specialist	_____
Teacher Librarian Services	_____
Emergency Transitional Kindergarten (ETK)	_____

LIMITED ASSIGNMENT PERMITS

Limited Assignment Permits may only be issued to applicants holding a valid California teaching credential based on a baccalaureate degree and a professional preparation program including student teaching.

Based on the previous year's actual needs and projections of enrollment, please indicate the number of Limited Assignment Permits the employing agency estimates it will need in the following areas. Additionally, for the Single Subject Limited Assignment Permits estimated, please include the authorization(s) which will be requested:

TYPE OF LIMITED ASSIGNMENT PERMIT	ESTIMATED NUMBER NEEDED
Multiple Subject	3
Single Subject	4
Special Education	4
TOTAL	11

Authorizations for Single Subject Limited Assignment Permits

SUBJECT	ESTIMATED NUMBER NEEDED	SUBJECT	ESTIMATED NUMBER NEEDED
Agriculture		Mathematics	1
Art		Music	
Business		Physical Education	
Dance		Science: Biological Sciences	1
English	1	Science: Chemistry	
Foundational-Level Math	1	Science: Geoscience	
Foundational-Level Science		Science: Physics	
Health		Social Science	
Home Economics		Theater	
Industrial & Technology Education		World Languages (specify)	

EFFORTS TO RECRUIT CERTIFIED PERSONNEL

The employing agency declares that it has implemented in policy and practices a process for conducting a diligent search that includes, but is not limited to, distributing job announcements, contacting college and university placement centers, advertising in local newspapers, exploring incentives included in the Teaching as a Priority Block Grant (refer to **www.cde.ca.gov** for details), participating in state and regional recruitment centers and participating in job fairs in California.

If a suitable fully prepared teacher is not available to the school district, the district made reasonable efforts to recruit an individual for the assignment, in the following order:

- A candidate who qualifies and agrees to participate in an approved internship program in the region of the school district
- An individual who is scheduled to complete initial preparation requirements within six months

EFFORTS TO CERTIFY, ASSIGN, AND DEVELOP FULLY QUALIFIED PERSONNEL

Has your agency established a District Intern program? ○ Yes ● No

If no, explain. Time constraints limit staff's ability to implement program.

Does your agency participate in a Commission-approved college or university internship program? ● Yes ○ No

If yes, how many interns do you expect to have this year? 2

If yes, list each college or university with which you participate in an internship program.

San Diego County Office of Education

National University

San Diego State University

If no, explain why you do not participate in an internship program.

Pacific View Charter Board Meeting
April 21, 2026

Personnel

AGENDA ITEM

5.5.2 - Updated Hard-to-Fill Bonus Agreements

Information Summary
California's AB 692 required a revision to our existing Hard-to-Fill Bonus Agreements, which are offered to new hires for hard to fill positions such as Instructional Aid and Education Specialist.

Responsible Party
HR & Business Services Coordinator Hernandez will discuss the updates to the Hard-to-Fill Bonus Agreements.

Recommended Action:
That the Board approves the Updated Hard-to-Fill Bonus Agreements as presented.

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"HARD TO FILL IINSTRUCTIONAL AIDE BONUS"

PACIFIC VIEW CHARTER SCHOOL
"HARD TO FILL" INSTRUCTIONAL AIDE BONUS AGREEMENT

This "Hard to Fill" Bonus Agreement (the "Agreement") is entered into between Pacific View Charter School ("PVCS" or the "School") and [NAME] (the "Employee") for the purpose of defining the Employee's responsibilities in relation to the Employee's receipt of a one-time "Hard to Fill" Instructional Aide Bonus from the School.

In exchange for PVCS paying the Employee a one-time "Hard to Fill" Bonus in the amount of $2,000 (Two Thousand and no/100) for full-time employees or $1,000 (One Thousand and no/100) for part-time employees ~~employed by the school on July 1, 2023 or hired thereafter~~,in the payroll cycle following the Employee's hire date, the Employee agrees to act in good faith in all respects to this Agreement and to fulfill all of the following requirements:

BONUS REQUIREMENTS

1. The employee must be a full-time and part-time Instructional Aides as of July 1, 2023 or hired after July 1, 2023.

2. The Employee must be employed in a "Hard to Fill" Instructional Aide position as designated by PVCS, including Lead Instructional Aide, Lead Instructional Aide – Student Support Assistants, Full-time Instructional Aides, Hourly Instructional Aides, Full-time 1:1 Instructional Aides, Hourly 1:1 Instructional Aides, Special Education Instructional Aides, or Hourly Special Education Instructional Aides. Employees serving in multiple positions will only be eligible for one (1) Instructional Aide - Hard to Fill Bonus.

3. The Employee must work in active status at PVCS for a minimum of two (2) years from the ~~issuance date of the one-time Hard to Fill – Instructional Aide bonus~~ Employee's hire date. If the Employee is unable to fulfill his/her obligation to remain in active status due to serious illness, pregnancy, or another reason considered protected by applicable law, the obligation shall extend by whatever amount of time the Employee is not in active status.

4. The Employee must agree that failure to fulfill the two (2) year service obligation, either by the Employee's resignation or termination for cause, will result in the Employee being obligated to reimburse PVCS the prorated amount ~~in full~~ for the $2,000 or $1,000 "Hard to Fill" – Instructional Aide Bonus. The repayment amount shall be prorated based on the remaining period of the service obligation and will be calculated according to the unfulfilled duration of the Employee's work calendar.

5. The Employee may elect to defer the receipt of the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Instructional Aide Bonus until after successfully completing the two (2) year service obligation, in which case no repayment obligation will apply.

6. The Employee must agree that participation in the program in no way alters or impairs the at-will nature of the Employee's employment. This means, despite the two (2) year service obligation which must be made on the Employee's part, PVCS retains the right to release the Employee at any time, with or without cause or advance notice.

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BONUS PAYMENT ELECTION

The Employee may elect one of the following payment options below (please select ONE):

☐ **Option A- Upfront Payment:** The Employee elects to receive the full amount for the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus at the beginning of the two (2) year service obligation.

☐ **Option B- End-of-Term Payment:** The Employee elects to receive the full amount for the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus upon successful completion of the two (2) year service term. The Employee understands that there won't be a "prorated payout" in the event of a resignation or termination for cause *before* the completion of the two (2) year service obligation.

☐ **Option C- Declines Bonus-** The Employee elects to decline to received the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus. The Employee is not subject to the two (2) year service obligation.

MANDATORY REIMBURSEMENT

If the Employee elects Option A, the Employee agrees to reimburse PVCS the prorated portion ~~in full~~ for the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus if any of the following events occur:

1. The Employee resigns from PVCS for any reason, or declines continuing employment, prior to fulfilling the two (2) year service obligation.

2. The Employee is terminated for cause, including for any violation of the Employee's job description or any policy outlined in the PVCS Employee Handbook, prior to fulfilling the two (2) year service obligation.

If the Employee elects Option B and does not complete the full two (2) year service obligation, the Employee forfeits any rights to the $2,000 or $1,000 "Hard to Fill" – Instructional Aide Bonus. No "prorated payout" will be provided.

REIMBURSEMENT TERMS

In the event the Employee fails to fulfill the two (2) year service requirement as outlined above, the Employee agrees that unless otherwise agreed to in writing, the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus will be reimbursed at a prorated amount and shall become due and payable to PVCS as follows:

1. The Employee must reimburse PVCS the prorated portion for the$2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus within thirty (30) days of the Employee's separation from employment with the School.

2. Should the Employee demonstrate a financial hardship to PVCS, a reimbursement schedule may be negotiated between the School and the Employee as to time, amount, frequency, etc. of reimbursement at PVCS's discretion.

3. If the Employee defaults on the reimbursement schedule, any remaining amount owed becomes immediately due and payable to PVCS.

4. The Employee shall be liable to PVCS for any costs, including attorneys' fees, incurred by the School should PVCS be forced pursue legal action against the Employee to secure reimbursement of the prorated portion of the $2,000 (full-time) or $1,000 (part-time) "Hard to Fill" Bonus.

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OPPORTUNITY FOR REVIEW

The Employee has been advised the right to have the Agreement reviewed and/or explained by an independent legal counsel at the Employee's expense, should the Employee wish to do so. The Employee acknowledges that a reasonable period of no less than five (5) business days has been provided to review this Agreement with legal counsel.

CERTIFICATION OF ACCEPTANCE OF TERMS OF THE AGREEMENT

I have read the aforementioned responsibilities in relation to my receipt of a one-time "Hard to Fill" Instructional Aide Bonus from PVCS and agree to comply with all terms included in this Agreement.

_____ _____

Erin Gorence, PVCS Executive Director Date

_____ _____

[NAME] Date

Board Approved: June 20, 2023 Amended: April xx, 2026

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AMENDED "HARD TO FILL BONUS"

PACIFIC VIEW CHARTER SCHOOL
"HARD TO FILL" BONUS AGREEMENT

This "Hard to Fill" Bonus Agreement (the "Agreement") is entered into between Pacific View Charter School ("PVCS" or the "School") and [NAME] (the "Employee") for the purpose of defining the Employee's responsibilities in relation to the Employee's receipt of a one-time "Hard to Fill" Bonus from the School.

In exchange for PVCS paying the Employee a one-time "Hard to Fill" Bonus in the amount of $5,000 in the payroll cycle following the Employee's hire date, the Employee agrees to act in good faith in all respects to this Agreement and to fulfill all of the following requirements:

BONUS REQUIREMENTS

1. The Employee must be hired no earlier than September 1, 2018.

2. The Employee must be employed in a "Hard to Fill" Special Education Position as designated by PVCS, including as a Psychologist, Speech Pathologist, Special Education Coordinator or Educational Specialist Certificated Staff.

3. The Employee must work in active status at PVCS for a minimum of two (2) years from the Employee's hire date. If the Employee is unable to fulfill his/her obligation to remain in active status due to serious illness, pregnancy, or another reason considered protected by applicable law, the obligation shall extend by whatever amount of time the Employee is not in active status.

4. The Employee must agree that failure to fulfill the two (2) year service obligation, either by the Employee's resignation or termination for cause, will result in the Employee being obligated to reimburse PVCS the prorated amount ~~in full~~ for the $5,000 "Hard to Fill" Bonus. The repayment amount shall be prorated based on the remaining period of the service obligation and will be calculated according to the unfulfilled duration of the Employee's work calendar.

5. The Employee may elect to defer the receipt of the $5,000 "Hard to Fill "Bonus until after successfully completing the two (2) year service obligation, in which case no repayment obligation will apply.

6. The Employee must agree that participation in the program in no way alters or impairs the at-will nature of the Employee's employment. This means, despite the two (2) year service obligation which must be made on the Employee's part, PVCS retains the right to release the Employee at any time, with or without cause or advance notice.

BONUS PAYMENT ELECTION

The Employee may elect one of the following payment options below (please select ONE):

☐ **Option A- Upfront Payment:** The Employee elects to receive the full amount for the $5,000 "Hard to Fill" Bonus at the beginning of the two (2) year service obligation.

☐ **Option B- End-of-Term Payment:** The Employee elects to receive the full amount for the $5,000 "Hard to Fill" Bonus upon successful completion of the two (2) year service term. The Employee understands that there won't be a "prorated payout" in the event of a resignation or termination for cause *before* the completion of the two (2) year service obligation.

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☐ **Option C- Declines Bonus-** The Employee elects to decline to receive the $5,000 "Hard to Fill" Bonus. The Employee is not subject to the two (2) year service obligation.

MANDATORY REIMBURSEMENT

If the Employee elects Option A, the Employee agrees to reimburse PVCS the prorated amount ~~in full~~ for the $5,000 "Hard to Fill" Bonus if any of the following events occur:

1. The Employee resigns from PVCS for any reason, or declines continuing employment, prior to fulfilling the two (2) year service obligation.

2. The Employee is terminated for cause, including for any violation of the Employee's job description or any policy outlined in the PVCS Employee Handbook, prior to fulfilling the two (2) year service obligation.

If the Employee elects Option B and does not complete the full two (2) year service obligation, the Employee forfeits any rights to the $5,000 "Hard to Fill" Bonus. No "prorated payout" will be provided.

REIMBURSEMENT TERMS

In the event the Employee fails to fulfill the two (2) year service requirement as outlined above, the Employee agrees that unless otherwise agreed to in writing, the $5,000 "Hard to Fill" Bonus will be reimbursed at a prorated amount and shall become due and payable to PVCS as follows:

1. The Employee must reimburse PVCS the prorated portion for the $5,000 "Hard to Fill" Bonus within thirty (30) days of the Employee's separation from employment with the School.

2. Should the Employee demonstrate a financial hardship to PVCS, a reimbursement schedule may be negotiated between the School and the Employee as to time, amount, frequency, etc. of reimbursement at PVCS's discretion.

3. If the Employee defaults on the reimbursement schedule, any remaining amount owed becomes immediately due and payable to PVCS.

4. The Employee shall be liable to PVCS for any costs, including attorneys' fees, incurred by the School should PVCS be forced pursue legal action against the Employee to secure reimbursement of the prorated portion of the $5,000 "Hard to Fill" Bonus.

~~***This document supersedes the prior Hard to Fill Bonus document approved by the Board on April 16, 2019.***~~

OPPORTUNITY FOR REVIEW

The Employee has been advised the right to have the Agreement reviewed and/or explained by an independent legal counsel at the Employee's expense, should the Employee wish to do so. The Employee acknowledges that a reasonable period of no less than five (5) business days has been provided to review this Agreement with legal counsel.

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CERTIFICATION OF ACCEPTANCE OF TERMS OF THE AGREEMENT

I have read the aforementioned responsibilities in relation to my receipt of a one-time "Hard to Fill" Bonus from PVCS and agree to comply with all terms included in this Agreement.

_____ _____
Erin Gorence, PVCS Executive Director Date

_____ _____
[NAME] Date

Board Approved: 4.16.2019 Amended: June 18, 2019
April xx, 2026

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