

Indiana Charter School Board  
**FINANCIAL REPORTING**

The purpose of this document is to provide guidance for the accounting, internal control, financial reporting, and audit obligations of charter schools authorized by the Indiana Charter School Board (“ICSB”), including reports required by the Indiana Department of Education (“IDOE”) and the State Board of Accounts (“SBOA”). A list of all reporting requirements, including due dates, may be found on ICSB’s website (<https://www.in.gov/icsb/>) under School Operations -> Reporting Requirements. Financial reporting templates can be found on the Reporting Requirements webpage under the heading ‘Financial Reporting Documents.’

All of the SBOA documents referenced in this guide, including information about “Internal Control Standards,” “State Examiner Directives,” “Audit Guidelines,” the “Charter School Manual,” and links to SBOA’s “Charter School Bulletin” may be found on SBOA’s Charter School webpage: <https://www.in.gov/sboa/private-examiner-audits/charter-schools/>.

**As part of financial accountability, charter schools are responsible for compliance with SBOA policies and procedures. ICSB strongly encourages schools to familiarize themselves with the standards, directives, guidelines, manuals, and bulletins posted on SBOA’s Charter School webpage.**

For questions, please contact the ICSB at: [indianacharterschoolboard@icsb.in.gov](mailto:indianacharterschoolboard@icsb.in.gov).

## Financial Reporting Required by ICSB & SBOA

### Introduction

The organizer, under the control of the organizer’s board of directors, is the fiscal agent for the charter school with exclusive control of all funds received by the charter school and oversight over all financial matters of the charter school. The organizer is required to maintain accounts and separate accounting of all funds received and disbursed by the organizer for each charter school it holds. Among other things, faithful performance of this duty requires accurate accounting and reporting of all financial transactions and the establishment of sound internal controls and procedures for effective and efficient operation of all schools.

ICSB’s financial oversight is focused upon several interrelated concepts: effective financial monitoring by the board of directors, realistic and ongoing budgeting and forecasting, maintenance of appropriate internal controls and procedures, timely and accurate financial reporting, effective budget management, and the maintenance of adequate financial resources to ensure stable operations.

## **Initial Statement**

Each charter school authorized by the ICSB is required to maintain appropriate governance and managerial procedures and financial controls throughout the charter term. During the year in which a school receives its charter and prior to opening, each school must provide an “Initial Statement” to ICSB addressing whether the school has implemented such controls. The Initial Statement provides an assurance that the school has the policies and procedures in place to operate in a fiscally sound manner and to guard against the misuse of public funds.

The Initial Statement must address whether the organizer and the charter school have adequate controls relating to:

- Preparing financial statements in accordance with generally accepted accounting principles (“GAAP”), and also with the requirements for charter schools established by SBOA;
- Payroll procedures;
- Accounting for contributions and grants;
- Procedures for the creation and review of quarterly and annual financial statements, which procedures shall specifically identify the individual who will be responsible for preparing and reviewing such financial statements and ensure that such statements contain valid and reliable data;
- Appropriate internal financial controls and procedures;
- Safeguarding of assets including cash and equipment;
- Ensuring that the purchasing process results in the acquisition of necessary goods and services at the best price; and
- Following appropriate guidance relating to a code of ethics, budget development and administration, and cash management and investments.

The Initial Statement must be reviewed and ratified by the Governing Board and provided to ICSB no later than July 1 of the calendar year in which the school intends to begin serving students.

## ***Independent Accountant’s Report***

Each charter school must retain an independent certified public accountant or independent certified public accounting firm (independent accountant) licensed in Indiana to perform an agreed-upon procedures engagement (the “Independent Accountant’s Report”) in accordance with attestation standards established by the American Institute of Certified Public Accountants. The purpose of the engagement is to assist ICSB in evaluating the Initial Statement. The engagement must commence within forty-five (45) days after the date on which the school has received and disbursed more than \$50,000 in State funding.). The procedures to be performed by the independent accountant include the following:

- Obtain a copy of the accounting procedures manual of the school to ascertain whether it includes adequate accounting procedures for the preparation of the school’s financial statements on an accrual basis of accounting in conformity with generally accepted accounting principles for not-for-profit organizations, and also a modified cash and accrual basis of accounting in accordance with requirements for charter schools as established by SBOA;
- Read the school’s accounting manual to ascertain whether it includes adequate payroll procedures for the school and whether the school will hire an outside vendor to process the payroll;
- Read the school’s accounting manual to ascertain whether it includes adequate procedures for accounting for contributions and grants;
- Read the available trial balance and documentation supporting cash receipts, cash disbursements and payroll expenses to observe the implementation status of the accounting procedures;
- Identify and interview the person(s) responsible for financial management of the school regarding the existence of procedures for the creation and review of quarterly financial reports by school leadership/management and the school’s governing board; and
- Interview the person(s) responsible for financial management of the school regarding the existence of appropriate internal financial controls and procedures, including procedures related to ensuring that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported.

The Independent Accountant’s Report must be provided to the board of directors no later than forty-five days (45) after the conclusion of the engagement, with a copy submitted simultaneously to ICSB. In the event that the Independent Accountant’s Report reveals that

any management and financial controls are not in place, the school must remedy such deficiencies no later than forty-five (45) days from the date the Independent Accountant's Report was received by the board of directors and shall provide to ICSB a statement certifying that all deficiencies identified in the Independent Accountants' Report have been corrected, and identifying the steps undertaken to correct the identified deficiencies. ICSB may require additional evidence to verify the correction of all such deficiencies.

See the SBOA's "Guidelines for the Audits of Charter Schools Performed by Private Examiners" for more information (<https://www.in.gov/sboa/private-examiner-audits/charter-schools/>).

#### *Waiver of Agreed Upon Procedures Engagement*

ICSB may waive the requirement that a school obtain an Independent Accountant's Report if:

- The school has an independent audit conducted covering the period of its planning year(s); or
- The school is using procedures that were previously reviewed for an existing ICSB-authorized school, such as a new school affiliated with an Education Service Provider that has previously operated a school in Indiana.

**A waiver of the requirement to produce an Independent Accountants' Report does not relieve the school of the obligation to have adequately documented financial management controls in place.**

#### **Annual Budget**

Each fiscal year, the board of directors must prepare and approve an annual budget using the accrual method of accounting for the school using ICSB's 'Annual and Quarterly Financial Report Template' (commonly known as the ICSB Financial Workbook). The Workbook can be found on ICSB's [website](#) under School Operations -> Reporting Requirements under the heading 'Financial Reporting Documents.' The annual budget must be submitted to ICSB no later than August 1.

While each school has the autonomy and responsibility to decide its own spending priorities, an annual budget should be balanced and reflect the school's educational program, facility, staffing, and operational needs. ICSB's review of annual budgets is generally limited to timeliness, accuracy and reasonableness, cash flow projections, and

the accompanying assumptions. Failure to prepare or submit a board-approved annual budget by the August 1 due date is a violation of the terms of the Charter Agreement as well as a possible indicator of emerging or significant management deficiencies. For the purpose of providing guidance to school operators, a sample budget preparation and approval timeline may be found attached hereto as Exhibit B.

ICSB anticipates that a school's actual spending will differ to some degree from the approved budget. A school is expected to make adjustments to its budget during a school year when material variances in actual revenues and expenditures compared to budget revenues and expenditures become known or spending priorities or needs change.

**Schools must submit a revised budget in Q1 (October 31) if there is a 10% or greater difference between the July ADM estimate and the October count. Schools must submit a revised budget in Q3 (April 30) if there is a 10% or greater difference between the September ADM count and the February count.**

All material adjustments to the budget must be approved by the board of directors and be reflected in the applicable quarterly financial report submitted to ICSB.

A budget accounts for both the timing of revenues and expenses, and the impact of accounts receivable and accounts payable at the beginning and end of the year. Anticipating the impact of receivable, payables, and the timing of cash in and out is particularly important for schools that have limited financial reserves. Consequently, mathematical accuracy is a minimal budget submission requirement. The issue of budget reasonableness is more complex. ICSB's analysis of the reasonableness of budget submissions will be focused at the school level and is intended to identify possibly significant erroneous or unreasonable assumptions that may put the school's financial health in peril. ICSB analysis will focus on the following areas and on the historical consistency of the school's financial trends:

- Enrollment is reviewed for consistency with projections and reasonable growth;
- Types and amounts of revenues are reviewed for historical consistency and other verifiable information, such as state and federal per pupil funding levels; and
- Expenses are reviewed using a vertical analysis that focuses on salaries and employee benefits, and non-personnel costs such as occupancy, insurance, professional services, curricular materials and capital expenses. Schools are primarily reviewed in the context of their own historical performance and how actual results compare to budgeted results. Reviews are also conducted within the

context of budgeted expenses for other schools of comparable size and student populations served.

### **Quarterly Reports of Unaudited Income and Expenses**

In addition to the budget, each charter school must submit a Quarterly Reports, also prepared on an accrual basis of accounting, using ICSB's Financial Workbook. The Workbook is aligned with SBOA requirements for charter schools and is intended to facilitate a school's internal financial management and board oversight needs. Due dates for each quarterly report are as follows:

**Note: The Q4 report must be completed using the Workbook for the prior fiscal year. Once the Q4 report is submitted, the Workbook for that fiscal year is considered complete.**

<b>Reporting Period</b>	<b>Quarter</b>	<b>Due Date</b>
April 1 - June 30	Q4 (for Previous Fiscal Year)	August 1
July 1 - September 30	Q1	October 31
October 1 - December 31	Q2	January 31
January 1 - March 31	Q3	April 30

**The Financial Workbook is designed so that all financial reporting, including the annual budget, budget revisions, and quarterly reports, use a single excel workbook, with each report building on prior submissions until all columns on all tabs are complete. Financial reports for the same fiscal year that are submitted in separate excel workbooks will be rejected.**

ICSB staff reviews quarterly financial reports with particular attention to the following:

- Actual versus budgeted revenues;
- Actual expenses compared to budgeted expenditures on a line item and overall basis;
- Significant line item budget vs. actual variances;
- Trends pertaining to receipt and disbursement of cash and to the incurrence of accounts receivable and accounts payable; and
- Changes and fluctuations in net assets and unrestricted cash.

## **Annual Audits**

Pursuant to Indiana Code § 20-24-8-5(1), charter schools must conduct an annual financial and compliance audit and, if applicable, a Federal Single Audit within six (6) months after the end of each Fiscal Year during the term of the Charter. All audits must comply with SBOA guidelines for charter schools (<https://www.in.gov/sboa/private-examiner-audits/charter-schools/>) and ICSB's Audit Requirements (<https://www.in.gov/icsb/school-operations/reporting-requirements/> under the header 'Financial Reporting Documents').

The board of directors will be held responsible for ensuring that their audits are in compliance with these requirements. Failure to comply with SBOA guidelines may result in the audit being rejected by SBOA. Failure to comply with ICSB's Audit Requirements will result in additional financial reporting from the school to ICSB to provide the missing data.

## ***Annual Financial Statements***

Charter schools are required to engage an independent auditor to conduct an annual financial statement audit prepared on an accrual basis in accordance with Generally Accepted Accounting Principles ("GAAP"). The audit must conform with all the requirements listed in SBOA's Guidelines for the Audit of Charter Schools Performed by Private Examiners. After the close of every fiscal year, each school must submit an annual independently audited financial statement report to SBOA no later than December 31, and to ICSB no later than January 15. Any extension to this deadline must be granted in advance in writing by ICSB's Executive Director.

ICSB review of the Annual Audit report focuses on the following areas:

- The date the report is received. The timeliness of audit report submission is an indicator of the school's accounting system and capacity, as well as internal controls over financial reporting. Repeated failure to meet the reporting deadline can result in probation, or, in extreme cases, revocation of a charter.
- The type of independent auditor opinion (unqualified, qualified, or adverse) accompanying the financial statements. Any opinion other than unqualified is a red flag that will be investigated and followed up on immediately by ICSB and/or SBOA.
- The contents of a management letter, the number and types of auditor's findings and "management's responses", auditor's notes, and the disclosure of reportable conditions, material weaknesses, material noncompliance, or ongoing concerns. In instances where the audit contains significant findings and recommendations for



corrective action, such recommendations are duly noted by ICSB and schools are monitored for prompt corrective action and follow up.

- Data and information from income statements, balance sheets, and statements of cash flow that are used to analyze the financial condition of the school per Section II of ICSB's Accountability System.
- Disclosure of related party transactions, if applicable, for adequacy and appropriateness of the transactions disclosed.

**An organizer operating more than one charter school must submit a consolidated audit in accordance with SBOA guidelines. The audit must include revenue and expenses for each school operated by the organizer. Contact ICSB for more details.**

Recurring audit findings, deficiencies, poor results on annual ratio and trend analyses performed in accordance with ICSB's Accountability System may result in a determination of non-compliance with the Charter Agreement.

#### *Federal Single Audits*

The latest OMB Circulars referenced in this section may be found on [OMB's Circular webpage](#).

The scope of the annual audit must include federal programs for schools who exceed the Federal Single Audit threshold of \$750,000 of federal funds expenditures in a fiscal year. Please refer to the most recent OMB Uniform Guidance Compliance Supplement (Audits of States, Local Governments, and Non-Profit Organizations) for additional information. Charter schools that exceed the Federal Single Audit requirement threshold must file a Single Audit report (containing corrective action plans to address auditor findings, if applicable) along with its financial statement audit report to SBOA no later than January 31 for the previous fiscal year.

Schools that exceed the Federal Single Audit threshold are responsible for:

- Identifying, in its chart of accounts, all federal awards received and expended and the federal programs under which the awards were received;
- Maintaining internal controls over federal programs' disbursements that provide reasonable assurance that the school is managing and expending federal awards in

accordance with applicable laws, regulations, and the provisions of contracts or grant agreements;

- Complying with laws, regulations, and the provisions of contracts or grant agreements pertaining to each federal program for which the school has received funds;
- Preparing appropriate annual audited financial statements, including a schedule of expenditures of federal awards;
- Ensuring that independent audits are properly performed and submitted before or on their due date; and
- Following up and taking corrective action on audit findings, to include preparation of a summary schedule of prior audit findings and recurring audit findings, and presentation of a corrective action plan for all new and recurring findings.

**Charter schools receiving any federal funds are required to follow federal cost principle, accounting, and reporting requirements regardless of whether they meet the Federal Single Audit threshold.**

ICSB's review of Federal Single Audit reports is concentrated on the following areas:

- Timeliness of report submission;
- Completeness and accuracy of reports (i.e., whether they document all federal awards received by a school);
- Significance and/or recurrence of auditor findings or questioned costs; and
- Adequacy of corrective action plans, if applicable.

## **IDOE Financial Reporting**

In addition to the financial reports described above, IDOE requires charter schools to submit certain other financial reports at various times during each fiscal year.

### **Biannual Financial Report**

The State of Indiana operates on a July 1 - June 30 fiscal year. SBOA and IDOE requires charter schools to submit a Biannual Financial Report (commonly referred to as 'Form 9') to IDOE within thirty (30) days after the close of two prescribed reporting periods, generally, the end of July (for the previous January – June reporting period) and at the end of January

(for the previous July – December reporting period). IDOE provides schools with the exact submission date each year.

Form 9 must be submitted regardless of whether the school has engaged in any financial activity during the applicable period (e.g., newly opened schools). In instances where no financial activity has occurred, a school should simply note on the report that no financial activity has occurred and submit it to IDOE.

Note that Form 9 must be prepared using the cash basis of accounting, so charter schools must either adopt a double-entry accounting system or conduct an end-of-the-year conversion from accrual to a cash to complete it.

For more information about Biannual Financial Report requirements and timeframes, please sign up for IDOE’s School Finance Moodle notifications. If you have questions, please contact IDOE Office of School Finance at [Form9@doe.in.gov](mailto:Form9@doe.in.gov) or at 317-232-0840.

### **Federal Grant and Loan Reports**

If a charter school is the recipient of a federal Public Charter School Program grant, annual grant activity reports must be submitted to IDOE. Specific report due dates are established by IDOE and set forth in the grant agreement between IDOE and grant recipients. For more information, please contact IDOE’s Charter School Specialists at 317-233-0786 or visit IDOE’s Charter School Program webpage: <https://www.in.gov/doe/grants/charter-school-program/>.