Financial Reporting Guidelines

For Charter Schools Authorized by
the Indiana Charter School Board

May 19, 2015

For more information, please visit the Indiana Charter School Board website:
http://www.in.gov/icsb
Introduction

The purpose of this document is to provide charter schools authorized by the Indiana Charter School Board ("ICSB") with clear guidance regarding all financial reports required by the ICSB, the Indiana Department of Education ("IDOE"), and the State Board of Accounts ("SBOA") as specified in the charter agreement. A copy of these Financial Reporting Guidelines, which may be updated from time-to-time, is available on the ICSB website: http://www.in.gov/icsb.

For questions regarding the Financial Reporting Guidelines contained within this document, please contact the ICSB staff at 317-233-4088.

Reporting Attachments

For easy reference, attached to this document are three attachments, including a Reporting Summary document to guide charter operators during the financial reporting submission process to the ICSB, the IDOE and the SBOA.
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While the primary purpose of a charter school is to educate children, responsible stewardship of public funds is critical to the overall success and viability of a school. To ensure such stewardship is occurring, Indiana statute requires that an authorizer evaluate a charter school regularly on its financial performance and stability, as described in IC § 20-24-4-1. To meet this requirement, the ICSB has consulted with The National Association of Charter School Authorizers “NACSA” and top-performing authorizers to design a comprehensive accountability system that includes ongoing assessment of a school’s fiscal health and stability.

Financial oversight by the ICSB is focused upon several interrelated concepts: effective financial monitoring by a school’s 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. Sections 10.4, 10.5, 10.6 and 10.8 of the Charter Agreement describe the financial reports and activities required for all ICSB-authorized charter schools. Below please find background information and guidelines for each of these requirements.

Initial Statement

Purpose
Charter schools authorized by the ICSB are required by their charters 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 the ICSB addressing whether the school has documented adequate financial controls. The rationale for requiring the Initial Statement is that it provides some assurance that the school can operate in a fiscally sound manner when it opens and begins educating students, and that sufficient procedures are in place to allow the school to begin implementing its education program effectively and guard against misuse of public funds.

Procedure
Section 10.4 of the Charter Agreement requires each charter school to maintain appropriate governance and managerial procedures and financial controls. A key element of this process is a requirement that the school provide to the ICSB an “Initial Statement” of the status of its management and financial controls. Prior to providing such statement, the school must first design and establish appropriate management and financial controls. (NOTE: New school operators are encouraged to consult with existing schools about the most effective and cost efficient way to establish such controls.) The components that must be addressed in the Initial Statement (described below) provide a good checklist of the controls that the school needs to consider and effectuate.

The Initial Statement must be reviewed and ratified by the school’s Board of Directors. The school shall provide a copy of its “Initial Statement” to the ICSB no later than June 1st of the calendar year in which the school intends to begin serving students (except when June 1st falls on a Saturday or Sunday, in which case the report is due on the immediately following Monday). For example, if a school will begin serving students in August 2016, the Initial
Statement must be submitted to the ICSB on June 3, 2016. The statement should address whether the school has documented adequate controls relating to:

1. Preparing monthly, quarterly, and annual financial statements on an accrual, and also a modified cash and accrual, basis of accounting in accordance with requirements for charter schools as established by Indiana’s State Board of Accounts (“SBOA”);
2. Payroll procedures;
3. Accounting for contributions and grants;
4. Procedures for the creation and appropriate review of quarterly financial statements, which procedures shall specifically identify the individual who will be responsible for preparing such financial statements and the review process; and
5. Appropriate internal financial controls and procedures.

Each school must also 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 will be to assist the 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 monies received from State funding. The procedures to be performed by the independent accountant include the following:

- Procedure #1: Obtain a copy of the accounting procedures manual of the school and read it 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 the SBOA.
- Procedure #2: Read the 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.
- Procedure #3: Read the accounting manual to ascertain whether it includes adequate procedures for accounting for contributions and grants.
- Procedure #4: Read the available trial balance and documentation supporting cash receipts, cash disbursements and payroll expenses to observe the implementation status of the accounting procedures.
- Procedure #5: 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.
- Procedure #6: 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

The Independent Accountant’s Report shall be provided to the school’s Board of Directors no later than forty-five days (45) after the conclusion of such engagement with a copy submitted simultaneously to the ICSB. In the event that the Independent Accountants’ Report reveals that any management and financial controls are not in place, the school shall remedy such deficiencies no later than forty-five (45) days from the date the Independent Accountant’s
Report was received by the school's Board and shall provide to the ICSB within that forty-five (45) day period a statement certifying that all deficiencies identified in the Independent Accountants' Report have been corrected. Such statement shall identify the steps undertaken to correct the identified deficiencies. The ICSB may require additional evidence to verify the correction of all such deficiencies.

**Waiver of Agreed Upon Procedures Engagement**

The ICSB may waive the requirement that a school obtain an agreed-upon procedures engagement under the following circumstances:

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

A waiver of the need for an agreed-upon procedures engagement in no way obviates the need for the school to have in place adequately documented financial management controls.

The following is a sample format for the Independent Accountant's Report.

**Sample Format for Accountant's Report** (on CPA or audit firm letterhead)

To the ABC Charter School Board:

We have performed the procedures identified below, which were agreed to by the management of the ABC charter school and the Indiana Charter School Board solely to assist the specified parties in evaluating the school's assertion to the Indiana Charter School Board that it has adequate financial controls in place for transactions relating to the following:

1. Preparing financial statements on an accrual basis in accordance with generally accepted accounting principles and also on a modified cash and accrual basis as required for charter schools under requirements established by the SBOA;
2. Payroll procedures;
3. Accounting for contributions and grants;
4. Procedures for the creation and review of quarterly financial statements, which procedures shall specifically identify the individual who will be responsible for preparing such financial statements and the manner by which reviews shall be conducted by school leadership / management and the governing board; and
5. Appropriate internal financial controls and procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specific users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the related findings are as follows:
Procedure #1: We obtained a copy of the financial practices of the School and read it to ascertain whether it includes accounting procedures for the preparation of the school’s financial statements on an accrual basis 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 the SBOA.

We observed that…

Procedure #2: We read the financial practices to ascertain whether they include payroll procedures for the school and whether the school has hired an outside vendor to process the payroll.

We observed that …

Procedure #3: We read the financial practices to ascertain whether they include sufficient procedures for accounting for contributions and grants.

We observed that…

Procedure #4: We read the available trial balance and documentation supporting cash receipts, cash disbursements and payroll expenses on a sample basis to observe the status of the school’s implementation of accounting procedures.

We observed that…

Procedure #5: We identified and interviewed the person(s) responsible for financial management of the school regarding the existence of procedures for the creation of quarterly financial reports and review by management and the school’s governing board.

The person(s) responsible for financial management of the school is/are … An interview with this individual / these individuals noted that procedures exist (do not exist) for …Sample quarterly financial reports provided to the governing board were (or were not) adequate…

Procedure #6: We interviewed 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 individual(s) (specify titles) interviewed represented that …

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the design of the financial controls of the ABC charter school. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for use of the ABC charter school and the ICSB, and is not intended to be and should not be used by anyone other than the specified parties.

CPA Signature and Date
Annual Budget and Cash Flow Projection

Purpose
Each school must prepare and submit a Board-approved annual budget on an accrual basis method of accounting using the Chart of Accounts established by Indiana’s State Board of Accounts (“SBOA”). For more information about SBOA Chart of Accounts requirements for charter schools, please refer to the Charter Schools Manual posted on the SBOA’s website here. NOTE: A school may create new accounts for any balance sheet or income statement revenue or expense line item for which an account does not now exist in the SBOA’s Chart of Accounts. Please consult with ICSB staff before doing so. ICSB will work with the SBOA to accommodate creation of new accounts when necessary to ensure the accuracy of financial reporting.

A school’s annual budget should be balanced and reflect the school’s educational program, facility, staffing, and operational needs. Using the ICSB Annual and Quarterly Report template, each school submits to the ICSB a Board-approved annual budget and cash flow projection by no later than June 30th for the fiscal year beginning on July 1st. The ICSB reviews each budget submission and assesses the overall reasonableness of the assumptions. The budget establishes the school’s spending priorities and the spending authority needed to operate the school.

The 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. All material budget adjustments should be approved by the school’s Board of Directors and reflected in the quarterly financial report submitted to the ICSB.

A cash flow projection is a critical component of managing a charter school’s finances. An effective budget is one that is both based on reasonable assumptions and, perhaps more importantly, realistically anticipates the timing of actual cash inflows and outflows. Schools that fail to accurately anticipate the timing and magnitude of inflows and outflows risk cash shortfalls and potential insolvency.

The major assumptions that each school’s budget is built upon are the following: projected enrollment and student needs, staffing, wages and benefits, facility costs, and for blended or virtual schools, technology costs. The rest of the budget must account for operating essentials (transportation, food services, etc.) and specific or unique program priorities of the school. All budgets represent trade-offs between what is needed and what can be afforded. The school’s Board must prioritize personnel, programs, and activities to ensure the approved budget meets the needs of the overall school program and is balanced.

A well-run school has budget development procedures, preferably in writing, that ensure input is received from all key stakeholders and results in full consideration and timely approval by the Board of Directors. Operating pursuant to a long-range financial plan is critical to financial stability and viability insofar as financial decisions made today also impact the future of the school. Although the ICSB does not require schools to submit multi-year budgets annually, subsequent to inclusion of a five-year financial plan in the school’s approved charter application, it is in a school’s best interest to maintain and update a rolling, multi-year fiscal plan that extends at least through the term of the charter. School operators are therefore encouraged to annually update the five-year financial projections included in their approved charter application.

Procedure
Using the ICSB’s Annual and Quarterly Report template, each school must submit an approved annual budget and cash flow projection on a quarterly basis for the upcoming fiscal year by no later than June 30th, in accordance with
Each school has the autonomy and responsibility to decide its own spending priorities. As a result, ICSB’s review of annual budgets and cash flow projections is limited to the following: timeliness, accuracy and reasonableness of budgets and cash flow projections. Failure to prepare or submit a Board-approved annual budget and cash flow projection by the June 30th due date is a technical charter violation, and therefore a red flag and 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 is shown below.

**Sample Budget Timeline**

<table>
<thead>
<tr>
<th>Activity</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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<tbody>
<tr>
<td>Board establishes budget priorities and guidelines</td>
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<td>Monitor current year budget vs. actual to inform next year's budget</td>
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<td>ONGOING</td>
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<tr>
<td>Develop preliminary revenue and expenditure forecasts for next year's budget</td>
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<td>Update forecasts (based on current year activity)</td>
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<td>ONGOING</td>
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<td>Obtain input from key stakeholders</td>
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<td>Develop draft budget for discussion with board and management</td>
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<td>Revise and update draft budget based on discussions</td>
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<td>Submit proposed budget to Board for discussion and approval</td>
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<td>Board adopts Initial Budget for submission to ICSB</td>
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<td>Review previous year unaudited financial results and monitor current year budget vs. actual</td>
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<td>Receive final enrollment count for current year funding</td>
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<tr>
<td>Revise Initial Budget based on enrollment count and for other applicable factors</td>
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<td>Submit Revised Budget to Board for discussion and approval</td>
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<tr>
<td>Board adopts Revised Budget for submission to ICSB</td>
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</table>
Budget Review

A budget and cash flow projection 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 very 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 enrollment projections in the approved charter and for reasonable growth from current year enrollment;
- 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.

Cash Flow Projection Review

The ICSB analyzes cash flow projections to get a sense of whether a school will have adequate cash on hand throughout the fiscal year. It is therefore critically important that each school provide an accurate estimate of cash inflows and outflows. For schools with strong cash reserves, cash flow projections may be particularly useful in assisting the school’s Board of Directors in determining when reserve cash will be needed for operational expenditures versus when reserve cash can be invested to maximize interest income. For schools with limited cash reserves, a well-thought through cash flow projection provides an essential management tool for school leadership and is a critical oversight tool for the school’s Board of Directors and the ICSB.

ICSB’s review of cash flow projections is focused on monthly net inflows and outflows and particularly on significant projected deficits, whether anticipated shortfalls during the course of a year or at year’s end can be covered by previously accumulated and available net assets (cash) or access to a line of credit. The timing of specific revenue and expense line items is scrutinized for reasonableness.

In instances where the review of the budget and cash flow projection discloses possible omissions or material misstatements, significant mathematical errors, or unreasonable assumptions, the ICSB may require that the school resubmit one or both documents with additional supporting documentation to verify that the school’s budget is fiscally sound.
Quarterly Reports of Unaudited Income and Expenses

Purpose

Charter schools are required by section 10.5 of their charter agreement to submit Quarterly Reports of Unaudited Income and Expenses prepared on a modified cash and accrual basis of accounting in accordance with requirements for charter schools as established by the SBOA. The ICSB reviews submission of these financial reports to assess whether each school is being operated in a fiscally sound manner.

All well-run charter schools should generate regular interim financial reports, typically on a monthly basis, but no less frequently than on a quarterly basis. Typical interim financial reports generated by charter schools include an income statement, a budget status and variance report, and a balance sheet statement of net assets. The timeliness and accuracy of this information are products of the accounting procedures that are in place.

Quarterly, unaudited financial reports must be submitted to the ICSB on time to meet charter agreement requirements. The report due dates are as follows:

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>July 1 - September 30</td>
<td>15-Nov</td>
</tr>
<tr>
<td>October 1 - December 31</td>
<td>15-Feb</td>
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<tr>
<td>January 1 - March 31</td>
<td>15-May</td>
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<tr>
<td>April 1 - June 30</td>
<td>15-Aug</td>
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</tbody>
</table>

Procedure

The ICSB requires that Quarterly Reports of Unaudited Income and Expenses – prepared on a modified cash and accrual basis of accounting in accordance with requirements for charter schools as established by the SBOA – must be submitted using the ICSB’s Annual and Quarterly Report template. The template is aligned with SBOA requirements for charter schools and is intended to facilitate a school’s internal financial management and Board oversight needs. For more information about SBOA Chart of Accounts requirements for charter schools, please refer to the Charter Schools Manual posted on the SBOA website here.

ICSB staff reviews quarterly financial reports closely, paying 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.

NOTE: In instances where schools that have operated for two or more years have established a history of strong financial performance and financial viability, as determined by consistently meeting the standards set forth in Section II of the ICSB Accountability Plan, ICSB reserves the right to waive the requirement that such schools must submit Quarterly Reports of Unaudited Income and Expenses.
Annual Audits

Purpose and Procedures

Public funds must be spent appropriately and transparently. Preparation and submission of timely independently audited financial reports are important to ensuring adequate transparency of a school’s financial affairs. Charter schools are required by state law to conduct an annual financial and compliance audit and, if applicable, a Federal Single Audit. All audits must comply with the guidelines for charter schools published by Indiana’s State Board of Accounts (“SBOA”). For more information about SBOA requirements for charter school audits, please refer to the Guidelines for Audits of Charter Schools Performed by Private Examiners posted on the SBOA website here.

The ICSB uses the results of each type of independently prepared audit as part of its ongoing fiscal oversight of charter schools, and ultimately to make charter renewal decisions. The review procedures for each audit type are described below.

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 GAAP using the SBOA Chart of Accounts. The ICSB has prepared a model Request For Proposal (“RFP”) that charter schools may modify as needed and use to comply with SBOA audit requirements.

Each school must submit an annual independently audited financial statement report to the SBOA no later than December 31st, and to the ICSB by no later than January 15th, for the fiscal year ending the previous June 30th.

In reviewing each school’s annual financial statement audit report, the ICSB looks to ensure that the financial statement presentation is on an accrual basis and consistent with GAAP for not-for-profit corporations as well as the guidelines for charter schools established by the SBOA. The ICSB review specifically focuses on the following:

- The date the report is received (and whether it is submitted to the ICSB on or before the January 15th deadline.) The timeliness of audit report submission can be an important 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 the ICSB and/or the 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 the ICSB Accountability Plan.
Disclosure of related party transactions, if applicable, for adequacy and appropriateness of the transactions disclosed.

Recurring audit findings, deficiencies, poor results on annual ratio and trend analyses performed in accordance with Section II of the ICSB Accountability Plan, or a school’s failure to establish and maintain a restricted account held in escrow for dissolution in the amount of $30,000 by December of the school’s fourth year of operation, as required by Section 3.7 of the Charter Agreement, may result in the ICSB determining that a school is in non-compliance with its charter. Schools can be found in compliance with the escrow account requirement if they are adhering to the schedule laid out by the ICSB of $10,000 per year deposited in this reserve account starting in December of the 2nd year of operation.

Federal Single Audits

The scope of the required independent annual audit must be expanded to include specific focus on federal programs when a charter school exceeds the Single Audit threshold of $500,000 of federal funds expenditures in a fiscal year. Please refer to OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations for Single Audit Requirements, for additional information. In such case, a charter school is 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.
- 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 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 the independently prepared financial statement audit report to the SBOA no later than December 31st, and to the ICSB by no later than January 15th, for the fiscal year ending the previous June 30th. Charter schools receiving any federal funds should be aware that they are required to follow federal cost principle, accounting, and reporting requirements regardless of whether they meet the Single Audit threshold or not. Charter schools in Indiana are defined as a Local Educational Agency for federal grant purposes. Therefore, charter schools must adhere to OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, applicable US Department of Education General Administrative Regulations (EDGAR), and Circular A-102, Grants and Cooperative Agreements with State and Local Governments.
ICSB’s review of Federal Single Audit reports is concentrated on the following areas:

- Timeliness of report submission (i.e., whether reports are submitted to the ICSB on or prior to the prescribed deadline, January 15th);
- 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.
In addition to the financial reports described in this document, the Indiana Department of Education (“IDOE”) requires charter schools to submit certain other financial reports at various times during each fiscal year. IDOE reporting requirements and deadlines are described below.

**Biannual Financial Report**

The State of Indiana operates on a July 1 - June 30 fiscal year. Charter schools are required to submit a Biannual Financial Report (commonly referred to as Form 9) to the IDOE within thirty (30) days after the close of two prescribed reporting periods. Generally speaking, Biannual Financial Reports are due at the end of July (for the previous January – June reporting period) and at the end of January (for the previous July – December reporting period). However, each year the IDOE will notify school operators of the exact submission dates for these Reports.

*Biannual Financial Reports must be prepared using the cash basis of accounting.* In some instances, a school may have no financial activity for a particular reporting period. For example, newly approved charter schools may not engage in financial transactions between January and June insofar as they have just been chartered. In addition, since reporting is on a cash basis, schools report only revenues that have been received and expenses for which disbursements have been made. *Accrued revenues and expenses should not be reported.* Each charter school is required to submit a Biannual Financial Report for each reporting period regardless of whether the school has engaged in any financial activity during the period. 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 the IDOE.

For more information about Biannual Financial Report requirements and timeframes, please visit the Learning Connection Community “IDOE - School Finance” for deadlines and more information on Form 9. If you have questions, please contact Melissa Ambre, IDOE Director of School Finance, at mambre@doe.in.gov, or at 317-232-0840.

**NOTE:** The ICSB’s Annual and Quarterly Reporting template contains a “cross walk” between an accrual presentation of income and expenses and a cash presentation. Use of this “cross walk” should facilitate a school’s preparation of the Biannual Financial Report required by the IDOE.

**Annual Financial Report**

Indiana statute (IC § 5-3-1-3) requires each school corporation to publish an Annual Financial Report. *However: The IDOE has determined that charter schools are exempt from this requirement.*

**Grant and Loan Reports**

If a charter school is the recipient of a PCSP grant, annual grant activity reports must be submitted to the IDOE. Specific report due dates are established by the IDOE’s Charter School Specialist and set forth in a grant agreement between IDOE and grant recipients For more information, please contact Jeff Barber, IDOE Charter School Specialist, at 317-232-9143 or jbarber@doe.in.gov. More information is also available on the IDOE Charter School’s website.
In the 2015 General Assembly, two new grant programs were enacted:

- The Charter and Innovation Network School Grant Program (IC 20-24-13)
- The Charter and Innovation Network School Advance Program (IC 20-49-9)

As of May 19th when this document was updated, the ICSB had not received guidance on how these two programs will be administered. The ICSB will communicate to all schools when information is available.
The ICSB has created three templates for use by ICSB-authorized charter schools:

1. **ICSB Reporting Summary.** This document summarizes all annual and financial reports due to the ICSB, the IDOE and the SBOA.
2. **ICSB Annual and Quarterly Report.** This template should be used by schools to submit the required Annual Budget and Cash Flow projections, in addition to the Quarterly Reports of Unaudited Income and Expenses to the ICSB.
3. **ICSB Model Audit RFP.** This model Request for Proposal (“RFP”) document can be customized by schools for use when identifying independent CPAs or CPA firms with which to contract to perform annual audit and tax preparation services.

These templates can be found on the ICSB website [http://www.in.gov/icsb/2444.htm](http://www.in.gov/icsb/2444.htm)