Charter School Financial Guide:

A Practical Guide from the Office of School Business Services

Prepared By: Division of School Business Services
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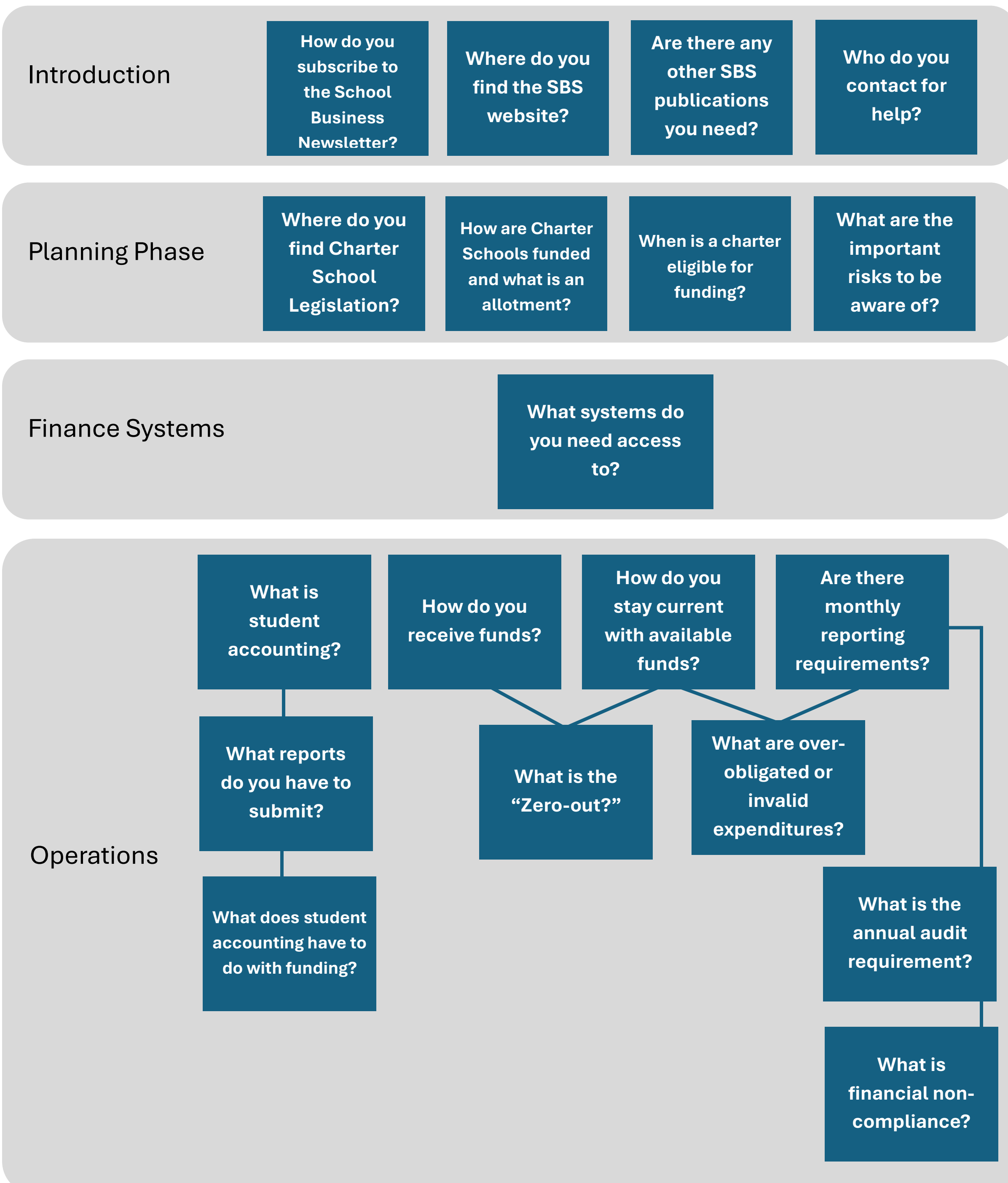
North Carolina Department of
PUBLIC INSTRUCTION

Contents

Quick Start Guide

Click on any topic below to be redirected to the corresponding section of the guide. This is not a comprehensive list of all material contained in the guide but is intended to provide quick access to the most frequently asked questions. Charter Directors and finance leaders should take the time to read this guide in its entirety.



Chapter 1: Communication and Getting Started

Introduction

Congratulations on receiving your charter and beginning the important work of opening a new North Carolina public school. This milestone reflects a significant commitment to students, families, and your community, and the Office of School Business Services is excited to partner with you in the work ahead.

This guidebook is intended to assist charter school financial directors to successfully open and operate financially compliant schools beginning in year one and to provide timelines, resources, and guidance for ongoing operational and compliance requirements. This guide is not intended to be an exhaustive list of all compliance elements and will not provide step-by-step instruction for how to operate a charter school financial department.

All charter schools must operate within laws and requirements set forth by federal law, NC law, the State Board of Education (SBE), and the Charter School Review Board. All charter schools must meet deadlines for School Business reports and reports required by other offices of DPI, such as Exceptional Children and Federal Programs. Failure to meet the deadlines for these reports may result in noncompliance status and may impact charter school funding.

About School Business and Contact Information

SBS Contacting You

DPI uses the Educational Directory and Demographical Information Exchange (EDDIE) as its authoritative source for all school contacts. Please see the section on EDDIE below about updating contact information.

You Contacting Us

The DPI Organizational Chart is available online.

The Office of School Business Services (SBS) has a variety of distribution lists to assist you with issues or questions you may have. A full list is below. If you do not know who to direct your questions to, please contact School Financial Reporting at the email below and we will put you in contact with the appropriate department at DPI.

It is important that anytime you email one of the distribution lists below or an individual member of the DPI staff that you include your Public School Unit (PSU) code. Many charter school names are similar and sometimes change over time, so attaching the PSU code will ensure there is no confusion. It will also allow the staff to research the question and provide a timely and accurate response. DPI systems are built on PSU codes, not names.

Topic	Email
Monthly Datafiles, Chart of Accounts, Cash, Surveys, All Miscellaneous Questions	SchoolFinancialReporting@dpi.nc.gov
Allotments	Allotments@dpi.nc.gov
EDDIE	EDDIE@dpi.nc.gov

Newsletter

School Business sends out a weekly newsletter targeted to finance staff, typically on Thursdays. Please make sure that you and all relevant staff are subscribed online by entering your email address, then choosing "Financial Officers Newsletter" from the dropdown list. We recommend that anyone subscribed to any SBS system mentioned in this guide (Allotments, Cash, etc.) also be subscribed to our newsletter so they do not miss important updates. In addition, SBS occasionally sends out surveys to collect information for mandatory legislative reports. If the information collected by the report should be filled out by a member of your charter school's staff in a different department (human resources, Student information (SIS) manager, etc.), please forward the notification on to them so that your school does not miss important submission deadlines. These newsletters are posted on the FBS website so that they can be referenced without having to save them yourself.

Occasionally we need to send out urgent news blasts outside of our weekly newsletters to the charter school directors/finance directors as identified in EDDIE. Those staff members are responsible for forwarding those messages to the applicable staff at their school. These communications are usually targeted at specific fiscal operational activities rather than general information.

It is recommended that finance staff also subscribe to the NC Student Information System (NCSIS), Office of Federal Programs, Office of Exception Children, and Office of Charter Schools newsletters to ensure they do miss important announcements.

Financial and Business Services Website

The FBS website contains presentations, guidance, and trainings on a variety of school business and financial topics. Recent webinar recordings, important correspondences, and major updates will be posted in the "What's New" section. The website houses a variety of important documents and forms that are listed in this guide, including but not limited to the School Attendance and Accounting Manual, Allotments Manual, and Finance Guide.

SBS Publications

The SBS Blue Book

The SBS Blue Book is intended to assist all Public School Units (PSUs), including charter schools, navigate the various Office of School Business (SBS) operational and school compliance requirements. Since the Blue Book serves as a guide to all PSUs, including local education agencies (LEAs), charter schools, lab schools and regional schools, it is important to be aware of the distinctions mentioned above in the terms used and whether specific guidance applies to charter schools. ***The Allotment Policy Manuals***

The funding for charter schools comes in the form of "allotments" as described in the section below. The Allotment Policy manuals contain information on every state or federal allotment that is distributed to NC public school units through DPI. The most recent version of each manual is posted on the Allotments webpage on the Financial and Business Services website. Note that the manuals do not contain information on directed grants, local funds, contracts, or any other funding not administered by SBS. These policies are approved by the State Board of Education throughout the year and notification is sent out in our newsletter. The Allotments System provides up to date information on an individual charter school's State and federal allotments.

The School Attendance and Student Accounting Manual

Student accounting includes, but is not limited to, daily student attendance, student membership, student transfers, student grade-level changes, school calendar, daily schedules, inclement weather, and remote learning. The Student Attendance and Student Accounting (SASA) manual is a State Board of Education policy and is your primary resource for all matters related to student accounting.

Charter School Legislation & SBE Policy

The General Assembly of North Carolina ratified Chapter 731 House Bill 955 (S.L. 1995-731) on June 21, 1996. This is an act to increase educational opportunity by authorizing the creation and funding of charter schools, which are deregulated schools under public control. There have been subsequent charter school amendments since 1996.

A complete copy of the Charter School legislation can be found at www.ncleg.net. Legislation specific to charter schools: G.S.115C-218.

State Board of Education (SBE)policies pertaining to charter schools are located in the CHTR section of the SBE Policy Manual.

Is a charter school a Public School Unit (PSU)?

Within DPI, many definitions are used, and it can be difficult to understand what applies to a charter school.

Public School Unit (PSU) is defined in State law (G.S.115C-5) to include Local education agencies (LEAs), lab schools, charter schools and regional schools. If a State law or policy states "PSU," it applies to charter schools.

A local education agency (LEA), also referred to as Local School Administrative Unit (LSAU), is a city or county public school system which is governed by a local board of education. In state law, a charter school is not a LEA, however in federal reporting, charter schools are included in the definition of LEA.

A charter school is a nonprofit legal entity that has a charter to operate a public school unit under a board of directors. A charter school PSU may be a physical school (brick and mortar) or a virtual school. A charter school PSU may include only one school or may also include a remote academy.

Independent Public School (IPS) is a term used informally to define the group of PSUs that are not local education agencies. In other words, IPS is the collective name for the following PSUs: charter schools, lab schools and regional schools. These PSUs have similar requirements and flexibilities, and the term is used to facilitate communications and to notify the PSUs as to what communications relate to them.

Never assume that a specific policy or requirement does or does not apply to charter schools if the terms charter school or IPS are not specifically used. When in doubt, you should always review current legislation, State Board of Education Policy, Charter Review Board Policy, consult with your legal counsel, or reach out to a member of DPI for clarification.

How are Charter Schools funded?

In North Carolina, charter schools are public school units that are funded through a combination of state, federal, and local dollars. North Carolina uses a Funding in Arrears per-pupil funding model tied to student membership. On average, 67% of a charter school's fundings comes from the state, which allocates funds based on each school's Average Daily Membership as described in Appendix B. Local funding is provided directly from the central office of the local education in which the student resides. Charter schools must invoice the different LEAs for local funds. Additionally, charter schools may receive federal funds and competitive grants for specific programs, though these typically make up a smaller share of total funding. All funding distributed by DPI comes in the form of an allotment.

What is an allotment?

An allotment is an authority to draw down cash. If a charter school receives an allotment of $1,000,000, it allows the charter schools to expend up to that amount and request cash through the cash application for those expenditures.

Charter school funds are allocated in different "buckets" that have different purposes and allowable uses. Each bucket is designated by a 4 digit Program Report Code (PRC). The Department allots any funds for which charter schools are entitled to a per pupil share into Program Report Code (PRC) 0036 – Charter Schools, and this program comprises the majority of the charter school's funds. These funds have full flexibility related to how the charter school uses the funds. Any funding with restricted uses (e.g., legislated compensation bonuses) or for which a charter school must apply directly to the Department (e.g., grants) will be allotted to the charter school in a restricted PRC, unless explicitly noted. Charter schools are not permitted to transfer funds from one program to another and must only utilize the restricted funds for their intended purposes.

Appendix B includes an example of how to calculate your Base PRC 0036 allotment and identifies additional allotments for which your school may be eligible, along with the PRCs through which those funds are distributed. Note: The General Assembly determines State funding and the inclusion of charter schools in restricted funds on an annual basis.

Charter schools may apply for federal funding through DPI's program areas, if eligible. Each federal grant is considered restricted and is allocated in a restricted PRC.

Chapter 2: New Charter School Financial Startup

This chapter is broken into three sections:

- Pre-Funding Requirement—The activities that must be completed to be eligible to receive cash starting in July of the year your charter is set to open.
- Pre-Opening Systems—The numerous DPI systems and accounts needed to facilitate cash flow, cash monitoring, student accounting, financial reporting, and data analytics.
- Pre-Opening Planning—Additional activities that should take place while preparing to open a new charter school.

Pre-Funding Requirements

After obtaining a charter to operate a public school unit in North Carolina, it is important for school directors and finance officers to understand what the first year of operation entails. In addition to any requirements set forth by the Office of Charter Schools (OCS), Charter

School Review Board (CSRB) and/or State Board of Education, prior to receiving any funding, charter schools must accomplish the following tasks:

Submit Education Certificate of Occupancy

Before any funds may be provided, a charter school must have a valid Education Certificate of Occupancy (CO) on file with the Office of Charter Schools for ALL buildings. Any awarded temporary CO must account for at least the first business month of the academic year. A fully virtual charter school must provide a Certificate of Occupancy for their office location, but it does not need to be an Educational Certificate of Occupancy if students will not be present at the site.

Apply for Tax-Exempt Status

You must contact the Internal Revenue Service (IRS) and apply for tax-exempt status no later than 24 months following the final approval of your charter application.

North Carolina Teachers and State Employees Retirement System

Under G.S. 135-5.3, a charter school may participate in the North Carolina Teachers' and State Employees' Retirement System (TSERS) if its board of directors elects to become a participating employer and applies to the TSERS Board of Trustees. The school must agree to make all required employer contributions, withhold and remit employee contributions, and provide retirement coverage for all eligible employees. Charter schools that apply before the end of their second year of operation are eligible for provisional entry into TSERS for an initial one-year period, allowing employees to participate while the school establishes its operational and financial track record. Charter schools that wait until after their second year of operation must undergo a full financial review, as described in G.S. 135.5.3, before being admitted. For final approval, the school must demonstrate financial soundness, acknowledge potential withdrawal liabilities, meet all application requirements, and not be identified as a continually low-performing school. Once approved, participation is mandatory for all eligible employees within the charter school.

North Carolina Compressive Medical Plan

Under G.S. 135-48.54, a charter school may elect to participate in the State Comprehensive Medical Plan. If the board of directors makes this election within two years of the execution of the charter, participation is granted upon notification of the State Health Plan Agency, the Charter Schools Review Board, and the State Board of Education. If the election is made after the two-year period, the charter school must submit an application to the State Health Plan Board of Trustees and receive approval before participating. Current State Health Plan guidance and enrollment procedures are available through the North Carolina State Health Plan Website.

Attend SBS Training

The charter school director and board chair of each new charter school are required to attend a summer training with the Office of School Business. It is recommended that the finance director attend as well. Direct announcements will be sent to the charter directors listed in EDDIE for all new charters with information about training dates and times. Please note that you must have staff from your school attend this training, even if you plan to use a third party for your day-to-day accounting.

Register an ACH Bank Account

In order to receive State or federal cash, a charter school must open a checking account with a local Bank, complete check signature cards, and complete an ACH Bank Account Authorization Form. The ACH Bank Account Authorization Form is used to establish the charter school's bank account, account number, and bank transit routing number with the State banking system. You will not be able to receive cash from DPI until you have completed the bank information, and it has been entered into our cash application.

Obtain Liability Insurance

All charter schools must obtain the following minimum coverage in the manner specified in State Board of Educational Policies INSR-000,001,002,003, and 004:

- Errors and omissions
- General liability
- Boiler and machinery
- Real personal property
- Employee Dishonesty Coverage
- Automobile liability
- Workers' compensation: as specified by Chapter 97 of the General Statues.

Pre-Opening Systems Access

Obtain an NCID

The North Carolina Identity Management Service – Next Generation (NCID) is the standard identity and access management platform provided by the NC Department of Information Technology. It is a web-based application that provides a secure environment for state agencies and local government users to log in and gain access to real-time state resources. An NCID is required to access most DPI systems.

New charter schools will need to select one member of your staff and reach out to NC DIT to have their administrator account created.

Once you have your NCID, you may request access to the DPI systems necessary to perform your job responsibilities. Upon your first log in to any DPI system that requires an NCID login, you will be asked to enter your name and email, which will submit a subscription request to DPI staff. They will then review your request and approve your access level.

Note that an NCID can only access one charter school's information in each system – if you need to access multiple charter schools, you must have an NCID for each charter school.

Enroll in EDDIE

The Educational Directory and Demographical Information Exchange system (EDDIE) is an online system that is the authoritative source for NC public school unit codes, school numbers, contact information, calendar types and authorized grades. This system is integrated to other DPI systems and the data within EDDIE is accessible to the public and is used to report to the NC General Assembly and to the federal authorities. EDDIE does not contain individual teacher or student information.

Accuracy of the data is very important and ensures that the appropriate individuals receive information and that reported data is accurate. Charter schools are required to initially enter data and keep the data updated by assigning an EDDIE administrator, who subscribes to the system requesting edit rights. An EDDIE administrator must have an NCID to subscribe.

Charter school Directors and Finance Directors are responsible for making sure that their contact information remains current in EDDIE, **including a valid cell phone number** (crucial for emergency corrections). Cell phone numbers will only be visible to NC DPI staff and will only be used to contact you in the case of urgent need. If you are unclear of who at your school maintains EDDIE (i.e. the PSU EDDIE Administrator), reach out to EDDIE@dpi.nc.gov.

Often information changes from year to year, e.g., your charter school may be adding a grade a year. Your school data must be updated for annual changes for the new school year by the end of the first week of July. Contact information must be updated in a timely manner during the year, including assigning a new EDDIE administrator if turnover occurs.

Enroll in the PSU Cash Application

Also referred to as the Cash App or PCA, the PSU Cash Application is the cash management system DPI uses to process your cash requests, including monthly zero outs and certain types of refunds. Charter Schools must use their NCID login credentials to register. More information can be found on the Cash Management section of our website.

Even if you use a third-party accounting service, a representative from your school should have access to the Cash Application.

Enroll in the Allotments System

The Allotments System is the public database of the allotments distributed to PSUs, including the amounts by PRC and fiscal year. Finance staff need to log in with their NCID to see detailed information about allotments processed and to receive allotment revision notification emails.

Enroll in the Student Information System

All charter schools will need access to Infinite Campus, the current NC Student Information System (NCSIS or SIS), to properly account for student membership and submit the required Principal Monthly Reports (PMR). The PMR is the source of calculating average daily membership (ADM) and the best 1 of 2-month ADM, which determines your allotments, as described in the section below. Upon final approval of your charter, a member of the NCDPI Enterprise Data and Reporting team will reach out and schedule a meeting to get you started in the SIS.

Enroll in the Data Analytics and Reporting System

The Data Analytics and Reporting Tool (DART) is the platform SBS uses to publish Monthly Financial Reporting (MFR) data and financial compliance reports. There are some reports that are available to the public, and there are a significant number of reports that are only accessible to the PSU with approved access. Finance officers can log in with their NCED Cloud account to access them. Your SIS data manager can assist in getting you access to NCED Cloud. If your charter school is using a third-party vendor for financial services, then it is crucial the third party is set up in NCED Cloud for your charter school so they can access DART reports.

There are a variety of useful reports in DART that can assist. At a minimum, charter school finance directors and staff should log in to view the following reports after each MFR submission:

- FIN101: Monthly Actions
- DART 102-PSU Invalid Codes
- DART 104-PSU Over-obligated PRCs

If your MFR returned invalid expenditure codes or over-obligated PRCs, you will need to correct those prior to the submission of the next MFR. The SBS office will contact you for verification that corrections have been made prior to the next reporting deadline.

You will not receive cash for any expenditure with an invalid code or for any over-obligated allotments. Since you will never receive the cash for those expenditures, there is no need to submit a refund to DPI, but you are required to move the expenditure on your general ledger to a valid code.

It is important that you refine your accounting processes to ensure that month-to-month you have no findings on either report. Any charter school with over-budgeted expenses or invalid codes on the final reporting period will delay the statewide closeout of the fiscal year.

Enroll in the Licensure System

While charter schools are not required to pay employees using the state salary schedule, you will need an active account in the Licensure System to be granted access to online licensure for the renewal of teacher licenses and to verify licenses.

Every Child Accountability & Tracking System (ECATS)

Charter schools are required to follow all state and federal laws in regard to serving students with disabilities (also known as exceptional children). ECATS is the uniform system used in North Carolina for all Individualized Education Plans (IEPs). Completing timely headcounts in ECATS is crucial to ensure you receive accurate funding for your students with disabilities. More information can be found on the Exceptional Children section the NCDPI website.

Epicenter

Epicenter is the Office of Charter Schools' document management platform. Epicenter is used to collect, store, and report charter school information. Everything from Performance Framework and Renewals to Amendments and Ready to Open is submitted and stored in Epicenter. User accounts are managed by the Office of Charter schools. If you are a charter school leader and need a new user account created or an active account deleted, you must reach out to ocs@dpi.nc.gov.

Pre-Opening Planning

Prepare to Send Monthly Files

All public schools must comply with the Uniform Education Reporting System (UERS) requirements. Part of these requirements are sending DPI four financial reports on a monthly basis:

1) The monthly financial report (MFR)
2) The General Expense report
3) Payroll Detail File

4) Payroll Summary File

More information about these files and the specifications for how they must be sent can be found on the School Business website.

Some charter school choose to contract with a Enterprise Resource Planning (ERP) financial system vendor. To ensure that a vendor is compatible with the requirements, new vendors must be validated by DPI's IT Department. Contact SystemsModernization@dpi.nc.gov for information on file validation.

Prepare Polices and Procedures Manual

Comprehensive policies and procedures help a charter school establish clear expectations for fiscal accountability, ethical conduct, and legal compliance. By documenting general standards of fiscal management, conflict of interest requirements, and required state language in contracts, the school promotes consistent decision-making, protects public funds, and reduces compliance risk. A well-maintained manual also supports transparency with boards, auditors, and authorizers, and serves as an essential reference for staff as roles and responsibilities evolve. These policies are also required by state and federal law.

See Appendix C for the general standards of fiscal management and the state no-indebtedness clause (language required under state law for all contracts.)

Plan your Budget

This guide is not intended to provide guidance on the who, what, when, or where you spend your funds. Additionally, this document is not intended to be a comprehensive guide on all funding sources. It is the responsibility of each charter school to become familiar with the SBS Blue Book, State Allotments Manual, and Federal Allotments Manual.

Reminder: GS 115C-218.1 specifies that a charter school must serve at least 80 students, and it is recommended that a charter school determine the minimum number of students to break even.

Planning Allotment

To help you plan your budget each year, SBS provides you with an annual Planning Allotment (typically at the end of March for the following fiscal year). Notification will be posted in the newsletter.

In your first year, the planning allotment is calculated based on your approved Year 1 Average Daily Membership (Y1 ADM). While this projection is necessary for planning purposes, it is important to clearly understand how actual funding will be determined once your school is operational.

Your school's funding will ultimately be based on your actual ADM, specifically your "best one (1) of the first two (2) months of ADM". The planning allotment provided on your projected ADM is not a guarantee of final funding levels.

Important Distinction: Enrollment vs. ADM

Please note that enrollment and ADM are not the same:

- **Enrollment** reflects the number of students who have registered or indicated intent to attend your school.
- **ADM** reflects the number of students who actually attend at least one day and generate membership during the school term.

Historically, schools across the state experience fluctuations between enrollment and actual membership. Without notifying you, it is common for students who initially enroll to:

- Choose to attend a different school,
- Relocate to another area/state over the summer, or
- Otherwise not report for attendance at the start of the school year.

Because of this, projected enrollment figures often exceed actual ADM, sometimes significantly. Therefore, contingencies should be in place in the event that the ADM is lower than planned.

Planning Considerations

No funds may be allocated to a charter school prior to the effective date of the charter, generally July 1. To support your ability to effectively prepare for opening, 50% of your total planning allotment will be available before the end of July and after attending SBS training, submitting your certificate of occupancy, and registering a bank in the PSU Cash Application. These funds are intended to assist with securing contracts, hiring staff, and covering initial operating expenses necessary to open your school on time.

> *Example: "Sample School" has an approved ADM of 200 students, with a per pupil funding amount of $5,000 per student.*
>
> > *Planning Allotment = $1,000,000*
> > *First installment (50%) = $500,000*

Please be advised that this advance is subject to adjustment based on actual ADM.

If your best 1 of 2 ADM generates funding greater than 50% but less than 100% of your planning allotment, your final allotment will be reduced to reflect your actual ADM.

> *Scenario 1: "Sample School" has an actual best 1 of 2 ADM of 150 students.*
>
> > *The school will have their final allotment reduced to $750,000.*

If your final ADM generates funding that is less than 50% of your planning allotment, your final allotment will immediately be reduced, and the charter school will be responsible for repaying the difference to the State if you have already drawn down funds greater than your final funding allotment.

Scenario 2: "Sample School" has a best 1 of 2 ADM of 90 students.

The school will have their final allotment adjusted to $450,000. This is less than their first installment of $500,000 and therefore the allotment will be immediately reduced. The school must refund the state the difference of anything over the adjusted allotment of $450,000 that has already been drawn down.

Additionally, though final allotments are determined based on the best 1 of 2 months ADM, your Month 1 ADM will be used to calculate a preliminary revised allotment. Any school who has already drawn down funds exceeding 75% of the revised allotment, will have their allotment immediately reduced to reflect actual month 1 ADM.

Scenario 3: "Sample School" has a Month 1 ADM of 150 students and has already drawn down $600,000.

The school's revised allotment would be $750,000 as mentioned above. Since the school has already drawn down 75% of this revised allotment amount, then their final allotment will be immediately adjusted after Month 1 to prevent overspending. Should their best 1 of 2 ADM be greater than their Month 1 ADM, their final allotment will be readjusted accordingly.

SBS strongly encourages all schools to take a conservative and strategic approach when using your planning allotment. Financial decisions, including staffing and contractual obligations, should account for the possibility that actual ADM (and therefore funding) may be lower than projected.

Essential information During Your First Year and Beyond

Student Accounting & SIS Reporting Deadlines

Proper student accounting is not just a beginning of the year task, it is ongoing. It is the responsibility of all North Carolina public schools to properly account for their students. Student accounting includes, but is not limited to, daily student attendance, student membership, student transfers, student grade-level changes, school calendar, daily schedules, inclement weather, and remote learning. The School Attendance and Student Accounting (SASA) manual is your primary resource for all matters related to student accounting.

Data managers and SIS coordinators must submit the required reports by the posted deadline. Failure to meet the deadline may result in financial noncompliance status or placement on an audit watchlist.

Finance Officers are copied on the second notification of a missed deadline.

Cash Management

PSUs request cash using the PSU Cash Application. Charter schools can only request cash in allotments with available funds.

SBS processes cash requests weekly. Typically, PSUs have a deadline of Monday at 11:45PM for the Friday Funds Requirement Date (FRD). Emergency cash requests have a Tuesday at 12 noon deadline to meet the Friday FRD. An emergency is an unforeseen circumstance that prevents the school from ordering cash and will result in the school being unable to meet a financial obligation. PSUs with repeated emergency cash requests will lose the ability to request emergency cash. SBS will only deposit funds on the FRD to match cash requests keyed in by each PSU. It is crucial that you key requests into the system by the deadline to ensure you can meet all accounts payable obligations. All deadlines are displayed on the calendar within the PSU cash application.

Keeping current with your available funds

The PSU Cash Application and DART will show you the most up-to-date information concerning the amount of funds that remain available for each of your allotted PRCs.

Chart of Accounts

The Chart of Accounts (COA) outlines the minimum requirements for account code structure for all charter schools. The COA can be sorted by PRC and provides finance officers with the allowable budget codes for each PRC. If an expenditure meets PRC requirements but does not have a corresponding code in the COA, you may request a revision using the link on our website. The request will be evaluated by the DPI financial and program staff for appropriateness.

Federal Funding

Most federal funds are targeted to specific student populations, for example, children with disabilities or children in poverty. All charter schools must submit an application for each grant in order to receive federal funding.

Applications for federal funding grants are submitted through the CCIP system with corresponding budgets entered into the Budget and Amendment System (BAAS).

Additional information about each federal grant program is available on the NCDPI website under the various federal program pages: Office of Federal Programs; Exceptional Children's; Career & Technical Education (CTE).

Local Funding

Per G.S. 115C-218.105, charter schools are entitled to receive local funding for each student they serve. Local funding is not calculated or allotted at DPI. Local governments provide their local school administrative unit (LEA) with county, and in some cases city, appropriations. The LEA is to provide an amount equal to the per pupil local current expense fund for each student that resides in the LEA who attends the charter school.

Typically, local funds are not transferred until the charter school invoices the LEA for them with the help of the SIS. Additional guidance and a funding transfer request template can be found on our website.

Monthly Financial Reports

As a part of the Uniform Education Reporting System, each charter school is required to submit a Monthly Financial Report (MFR). The transmission of the file is referred to as "datafile". This report is an electronic file in a required format that is the charter school's authoritative general ledger at the end of each reporting period. This file is used for cash reconciliation, reporting, monitoring and data analysis. The last MFR file of the year (Period 12) is used for the Annual Financial Report (AFR) from which the per pupil expenditure is calculated and public reports are generated. This data is reported on the School Report Card and the Statistical Profile.

The MFR contains 18 fields, including account codes, reporting period, and account amounts (beginning budget balance, month- and year-to-date expenditures, encumbrances, ending budget balance, payroll) in accordance with the Uniform Education Reporting System (UERS) and Uniform Chart of Accounts.

Your financial system will need to construct files in the required file layout. The PSU Datafile Schedule is posted on the website and provides the dates that the MFR are due. Details on file specifications can be found on the School District Financial Operations section of our webpage.

These records are processed through DPI's general ledger system and then reported back to the charter school on a monthly basis. The expenditures are passed through various DPI systems for further analysis, such as salary databases and DPI's internal general ledger. The expenditures are provided to School Business and program staff for federal grant monitoring purposes. Your charter school's MFR is included in the public school expenditures that are submitted to the NC Office of State Controller and State Budget

Office. Your expenditures are analyzed and reported upon request to legislators, the State Board of Education, the Charter School Review Board, etc. Your data is public and relied upon, and it is critical that it is an accurate reflection of your school's operations. It will be necessary to reconcile your data with DPI's data and to make any necessary adjustments each month.

The Data Analytics and Reporting Tool is used to assist you in reconciling your data as described in the section below.

What is the "Zero-Out?"

SBS will compare the year-to-date expenditures reported in your monthly financial reports with your year-to-date cash requests. If you have requested and received cash in excess of your reported expenditures, DPI will withdraw the excess amount from your bank account. You must ensure that sufficient funds are available to cover this withdrawal. Any funds withdrawn will be credited back to your remaining allotment balance.

If you have not requested enough cash to cover your reported expenditures and funds are available, DPI will make an additional deposit into your bank account to ensure all financial obligations can be met.

Finance leaders should review the monthly zero-out process to maintain alignment with the PSU's budget and improve the accuracy of future cash requests.

More information about deadlines, cash requests, zero-outs, and refunds can be found in the Cash Management section of the SBS Blue Book.

What are over-obligated PRCs and Invalid Expenditures?

In addition to the monthly Zero-Out process, which ensures that the amount of cash deposited into your account matches your reported expenditures, the DART system tracks your general ledger to maintain alignment with your allotted funds. The data reported in DART is based on your monthly financial data file submission and is updated once per month.

Within DART, you can run the FIN101 report to identify any financial errors as of the most recent reporting period. Charter schools should focus on the following three types of errors:

> **Invalid Codes —** This error occurs when expenditures are reported using an expense code that is not found in the Chart of Accounts or when the Grant Year is missing. Any expenditures with invalid codes must be corrected prior to the next data file submission.

Expenditures Over Allotments — This error occurs when reported expenditures exceed the allotted amount for a given PRC, including PRCs with zero allotments. Because the cash request and Zero-Out processes prevent you from receiving funds above your allotment, these expenditures were not covered by cash disbursements. While no refund to DPI is required, you must move these expenses in your general ledger to an allowable PRC with available funds or to a local expense fund before the next data file submission.

Over-Obligated PRCs — This error occurs when the combined total of expenditures and encumbrances exceeds the allotment for a PRC. Since disbursements do not exceed allotments, sufficient cash will not be available to cover these encumbrances. Therefore, the encumbrance must be liquidated or reclassified to an allowable PRC with available funds.

Contract with CPA Firm

G.S. 115C-218.30 requires that all charter schools are audited at the end of each fiscal year by a certified public accountant (CPA). It is recommended that each charter school engage an audit firm with direct experience conducting school audits. These audits are due by December 31 for the fiscal year ending on July 1, so it is important to have an auditor retained and financial records in good order at the end of the fiscal year in order to facilitate the audit process.

Report to Your Board of Directors

Charter school board of directors are required to review and adopt an annual balanced budget. Additionally, charter school board of directors should review and update policies on a regular basis including, but not limited to, the statutory requirement to approve a nepotism and conflict of interest policy each year.

In addition to these requirements, a charter director/finance director should provide the board of directors with timely and transparent financial information, including:

- Monthly Financial Statements
- Actual vs. Budget Comparison
- Cash Position and Liquidity
- Enrollment and ADM Updates
- Revenue Status (State, Federal, and Local funds received to date)
- Expenditure Overview
- Compliance Status
- Debt and Obligations

- Forecast and Financial Outlook
- It is recommended that the Board of Directors has a finance committee that meets regularly to discuss the above items.

Important Risks and Pitfalls

Historically, charter schools found to be financially noncompliant, insolvent, or ultimately closed due to financial hardship often experience one or more of the following contributing factors:

- Lower than expected Average Daily Membership (ADM).
    - Budget was based on projected ADM (planning allotment), while actual ADM and funding was significantly lower.
    - Hiring staffing levels in excess of demonstrated and stabilized student membership.
- Missed reporting deadlines.
- Absence of financial expertise on Board of Directors and/or lacking a finance committee.
- Ineffective cash flow planning, monitoring, and internal controls.
- Trusting one person or a third party to handle finances and operations without oversight or awareness by school leadership and the board.
- Entering into facility arrangements that obligate a large percentage of the operating fund.
- Failure to budget contingencies and build fund reserves.
- Approached audit preparation as a year-end activity rather than maintaining audit readiness throughout the fiscal year.

Closing Out the Year

Final MFR Submission

School Business provides guidance and webinars as the fiscal year end approaches. On your final MFR submission at the close of the fiscal year, each Program Report Code (PRC) must reflect a zero or positive balance. No PRC may report total expenses that exceed its approved allotments. Any PRC showing expenditures or encumbrances greater than available funding must be reconciled and corrected prior to year-end close to ensure compliance with budgetary controls and financial reporting standards.

The final Datafile transfer takes place on June 30th at midnight every year. The SBS team works around the clock following this submission to ensure there are no errors. Any errors cause a delay in the statewide fiscal closeout.

If your submission reveals expenditures greater than available funding, you will receive a call from SBS regardless of date or time. SBS will remain with you until the correction has been made. It is crucial that a cell-phone number for the finance officer is recorded in EDDIE.

For statewide efficiency, it is critical that all year long you are reviewing expenditures and invalid codes to make the necessary corrections so that by year-end all reports are free and clear without delay.

Submit ADM Projection

The Charter School ADM Projection Smartsheet (Formerly CSADM) provides the maximum average daily membership information for charter schools. A survey will be sent to each charter school in the spring for you to record your ADM projection for the following year. In accordance with G.S. 115C-218, after your first year of operation, it is not considered a material revision of your charter to increase ADM by more than 20%, so long as your charter is not identified as low performing.

However, if your charter is identified as low performing, then your maximum authorized ADM cannot increase by more than 20% each school year without requesting an increase from the Charter School Review Board, following the protocols of the Office of Charter Schools.

Even if your charter school does not have an ADM limit, it is important to record an accurate ADM estimate in response to the survey for statewide budget planning. These projections are provided to the NC General Assembly and used to develop statewide budgets.

The survey opens during the spring and notification is sent through the newsletter. The SBS will send a reminder when the projections are due.

Chapter 3: Ongoing Charter Finance/Business Operations

Annual Single Audit Requirement

G.S. 115C-218.30 requires that all charter schools are audited at the end of each fiscal year by a certified public accountant (CPA). It is recommended that each charter school engage an audit firm with direct experience conducting school audits. Annual audits are due December 31st in Epicenter, the data system run by the Office of Charter Schools. DPI is required to review audits and follow up on the resolution of findings. This review will be used to assess each charter school for compliance and solvency, as well as compliance with federal and state requirements and regulations. During a audit review or additional fiscal monitoring by DPI, it is the responsibility of the school to provide all requested documents, including providing documents from an EMO/CMO if the charter school uses one.

Funding in Arrears (FIA) and Budget Planning

Effective July 1, 2024, all public school units are funded on the Best 1 of 2 ADM from the prior fiscal year under the funding-in=arrears model required by legislation. Please see the Report to the NC General Assembly for more information.

Under FIA, if a charter school's B1of2 Actual ADM in the current year is higher than its Allotted ADM, SBS will allocate growth funds based on the current year Dollars per ADM Base for the LEA. Should the ADM be lower, the charter school's funding will be held harmless (no decrease in funds) until the following fiscal year, when all allotments are reset. See Appendix B for an example of the FIA model.

Ongoing Reporting & Monitoring

In addition to the monthly financial reports, the NC State Reporting tab of the NCSIS website provides a comprehensive list of ongoing reports.

In addition to the ongoing reporting, schools being monitored by DPI for student accounting must be ready to provide requested documentation, including, but not limited to:

- Student rosters (Active and inactive)
- Staff rosters
- Master schedule
- Bell schedule
- All manual attendance and entry-withdrawal documents

Financial Non-Compliance

In accordance with, SBE Policy CHTR-006 there are three levels of financial and governance noncompliance under which a charter school may be placed.

- Cautionary—A warning to make corrections or submit action plan within 30 days.
- Probationary Status—Escalation for failing to take corrective action.
- Disciplinary Status—Moved to month-to-month funding.

It is the responsibility of the finance director, school director, and school's board to understand SBE policy CHTR-006 and how it impacts funding. The most common causes of non-compliance are:

- Negative fund balance
- Late reporting
- Non-responsive to DPI request
- Low ADM
- Material weaknesses on audit
- Cash Flow issues
- Student Accounting irregularities

Conclusion

Thank you for taking the time to review this Charter School Finance Guide. We hope this resource provides a helpful foundation for understanding the financial requirements and responsibilities associated with operating a North Carolina charter school. This guide will be updated as policies, systems, timelines, or reporting requirements change. We encourage you to rely on the School Business Services (SBS) website and newsletters for updates, reminders, and important announcements throughout the year. The Office of School Business is committed to supporting charter schools, and our team is always available to provide assistance, answer questions, and help you navigate financial and operational requirements. We appreciate your partnership and look forward to continuing to serve and support your school's success.

Appendix A

Acronyms and Business Terms

Acronym	Description
ADA	Average Daily Attendance – The sum of the number of days in attendance for all students divided by the number of days in the school month.
ADM	Average Daily Membership —students membership used in funding formulas.
AFR	Annual Financial Report — year-end report to DPI.
AIG	Academically or Intellectually Gifted
AOE	Allowable Operating Expenditure.
APM	Allotment Policy Manual
Approps / Ed Approps	Appropriations Committee / Education Appropriations Committee
ARS	Allotment Revision Summary.
BAAS	Business and Administrative Applications System.
CAP	Corrective Action Plan.
CCIP	Comprehensive Continuous Improvement Plan.
COA	Chart of Accounts.
Con Ed	Continuing Education
CPFF	Civil Penalty and Forfeiture Fund
CTE	Career & Technical Education
CWD	Children with Disabilities (SEE EC)
DPI	Department of Public Instruction.
EC	Exceptional Children (See CWD)
EDDIE	Educational Directory and Demographical Information Exchange. Authoritative source for PSU codes and information.
E-Rate	Federal tech/Internet discount program.
ERP	Enterprise Resource Planning
ESEA	Elementary and Secondary Education Act
ESSA	Every Student Succeeds Act
EVAAS	Education Value-Added Assessment System
F&A	Facilities & Administration (Indirect Cost).
FAR	Federal Award Reporting.
FBS	Financial & Business Services at DPI.
FED	Federal Programs (Finance).
FRD	Funds Requirement Date
FTE	Full-Time Equivalent
FY	Fiscal Year July 1–June 30.
G.S.	General Statute

GA	General Assembly.
GAN	Grant Award Notification.
GF	General Fund.
ICR	Indirect Cost Rate.
IDEA	Individuals with Disabilities Education Act.
IEP	Individualized Educational Plan
IPS	Independent Public School—includes charter schools, laboratory schools, and regional schools.
LEA	Local Education Agency.
LEP	Limited English Proficiency
LicSal	Licensure & Salary System.
LMS	Learning Management System.
MEP	Migrant Education Program.
MOA	Memorandum of Agreement.
MOE	Maintenance of Effort or Months of Employment
NBPTS	National Board for Professional Teaching Standards
NCFS	NC Accounting System.
NCDPI	NC Department of Public Instruction.
NCEES	NC Educator Evaluation System.
NCVPS	North Carolina Virtual Public School
NR	Nonrecurring
OCS	Office of Charter Schools
OMB	Federal Office of Management and Budget.
OPS/OSP	Opportunity Scholarship Program
OSBM	Office of State Budget and Management
PD	Professional Development.
PRC	Program Report Code. 4 digit code as part of the Chart of Accounts
PSU	Public School Unit
R	Recurring
RtA	Read to Achieve
SBE	State Board of Education.
SBS	School Business Services, Office within DPI's Financial and Business Services
SEA	State Educational Agency. This is DPI for North Carolina
SHP	State Health Plan
SOP	Standard Operating Procedure.
SRO	School Resource Officer / School Safety Officer
T&E	Time and Effort.
TAs	Teacher Assistants
Title I A	Federal aid for disadvantaged students. Federal Grant,

Title II A	Teacher effectiveness funding. Federal Grant
Title IV A	Student support & enrichment. Federal Grant
TSERS	Teacher and State Employee Retirement System.
UERS	Uniform Education Reporting System
UGG	Uniform Grant Guidance. Federal compliance requirements.
YTD	Year-to-Date.

Appendix B

State Funding for Charter Schools

Base Allotment PRC 0036

In PRC 0036—Charter Schools, each charter school will receive an amount equivalent to the state funded Dollars per ADM ($/ADM) for the LEA in which the charter school is located.

Example: If the charter school is located in the area served by local education agency LEA 000, then the funding allotment for PRC 0036 for the charter school will be based on the $/ADM of LEA 000. See below:

Dollars Per ADM Example LEA:000	
FY 26 Initial Base Allotment for LEA 000	$1,500,000
FY 26 Allotted ADM for LEA 000	200 Students
FY 26 dollars/ADM (allotted) $1,500,000 / 200	$7,500
FY 26 Unallotted dollars/ADM (Total PRC 009 Non-Contributory Employee Benefits / Total Allotted ADM for the State)	$100
LEA 000's FY 26 dollars/ADM ($7,500+100) Therefore, the charter school within the service area of LEA 000 will receive a Base funding of $7,600 per ADM.	**$7,600**

Example: based on the above calculation, if the charter school has an allotted ADM of 500 students, then their base PRC 0036 funding will be $7,600 x 500 = $3,800,000.

Allotted Average Daily Membership (ADM) - Funding in Arrears

After your first year of operation, if your actual ADM is lower than your allotted ADM you will be held harmless for the following year and funding will not be reduced for that fiscal year. The actual ADM is the Best 1 of 2 or higher ADM of the first and second month. Keep in mind that based on the funding in arrears model, the following fiscal year initial allotment will be based on this reduced ADM.

Funding in Arrears Example			
	B1 of 2 ADM (Actual ADM)	**Initial Allotment**	**Final Allotment**
Year 1	100	Based on the approved projected ADM in the charter application	Increased or Decreased based on actual ADM of 100

Year 2	150	Based on Year 1 Actual ADM of 100	Increased through growth funding for the additional 50 students
Year 3	125	Based on Year 2 Actual ADM of 150	Held Harmless and continued to be funded based on Year 2 Actual ADM of 150
Year 4	200	Based on Year 3 Actual ADM of 125	Increased through growth funding for the additional 75 students

Allotment Adjustment for ADM Growth

Charter schools will receive additional funds if the current year ADM is higher than the allotted ADM. These funds will be allotted within PRC 0036 for a charter school. Growth funding will be calculated based on the original $/ADM for the charter school. However, allotments for growth may be prorated based on the availability of funds in the State ADM Growth Contingency Reserve fund.

> *Example: The charter school's allotted ADM was 500 and therefore received the $3,800,000 in their initial PRC 0036 allotment. However, the charter school's best 1 of 2 ADM comes in at 550. If available, the charter school is eligible to receive growth funding for the additional 50 ADM.*
>
> *This will be funded at the initial $/ADM (in this example $7,600). The charter school could receive **up to** an additional $7,600 x 50 = $380,000 in PRC 0036.*

Growth funds are not available until all PSUs finish their first 40 days of school and report their Month 2 PMRs. The funding is typically made available in late November or early December.

Additional State Funds Paid in PRC 0036

Charter schools may be eligible for additional State funding through certain categorical allotments or specific grants. Eligibility for specific PRCs is based on authorizing legislation and the specific program and funding requirements. All allotments and programs are detailed in the Allotment Policy Manual, but the chart below shows current PRCs for which charter schools are eligible.

Some additional funding is provided in to PRC036 after the base allocation, and these funds will be allotted in a revision. For example, PRC 015 (School Technology Fund) is allotted to charter schools into PRC 036 after the initial allotments. The notification of the revision will reference School Technology funds. It is important to be aware of how each

PRC is allotted so that you are looking for funding in the right place and using the correct chart of accounts.

The chart below provides a reference list of other State PRCs that charter schools may qualify for and identifies the PRC through which those funds are allotted to charter schools. Please consult the Allotment Policy Manual for information on the Programs listed below by PRC.

Box 1. Is the funding that is included in the base and incorporated in the $/ADM and allotted in to PRC036 at initial allotments, typically in July.

Box 2. Are additional funds that are allotted in PRC036 through a revision and include funding for exceptional children, limited English proficient students, School Technology, and connectivity. These funds lose their identity when they are allocated into PR C036, but the charter school is required to provide the legal services and adhere to requirements associated with the funding, e.g.. IEPs and maintenance of effort.

Box 3. Are restricted grants that are allocated in the PRC for that grant program, with a chart of accounts that restricts the type of expenditures permissible for those funds.

1. PRCs included in the charter school's initial BASE allotment.		2.Categorical Allotments and Grants added to PRC 036 (if applicable to the charter school)	3. Restricted Allotments and Grants allotted through their respective PRC (if applicable to the charter school)
PRC 001	PRC 024	PRC 015	PRC 016
PRC 002	PRC 027	PRC 032	PRC 023
PRC 003	PRC 031	PRC 054	PRC 029
PRC 004	PRC 034	PRC 073	PRC 065
PRC 005	PRC 056	PRC 078	PRC 088
PRC 006	PRC 061	PRC 083	PRC 089
PRC 007	PRC 069	PRC 085	PRC 230
PRC 013	PRC 071	PRC 094	PRC 251
PRC 014	PRC 131		PRC 253
PRC 019			PRC 255
			PRC 256

Appendix C

General Accepted Standards of Fiscal Management

Charter schools are required to meet generally accepted standards of fiscal management. (NC Gen. Stat. 115C-218.95). A process must be affected designed to provide **reasonable** assurance regarding the achievement and maintenance of the following standards:

1. A fiscal year balanced budget that clearly defines achievable goals as defined in the school's charter and approved by the Board of Directors in the form of a budget resolution.
2. Full compliance with Uniform Education Reporting System (UERS) policies and procedures.
3. Accounting records must properly and accurately record and account for all transactions, including cash. Accounting information should be relevant, reliable, comparable and consistent and must be available for the preparation of reliable financial statements.
4. Demonstrate compliance with federal and state laws/regulations, State Board of Education policies, Charter School Review Board policies, and other compliance requirements.
5. Maintenance of documentation that outlines internal controls on business practices and operation.
6. All accounts payable must be current.
7. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on state and federal funds.
8. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
9. Ensure that required independent audits are performed and submitted on time.
10. Schools should have documentation that supports its financial statements and that reflects its financial position/condition, results of operations or changes in net assets and where appropriate, cash flows for any fiscal period/year
11. Positive financial cash flow must be maintained as required by the General Accepted Accounting Principles (schools in a deficit financial condition at the end of any fiscal year would be in violation of this principle).
12. Any necessary corrective action plans on any audit findings must be filed in writing and proposed changes must be implemented in the subsequent fiscal year.

Note: These objectives do not replace any current statutory rules and regulations.

State Language for Contracts

Specific state language is required for every contract or lease into which a charter school enters. The following language is required per General Statue 115C-218.105, State and local funds for a charter school:

> *No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.*

Appendix D

SBS Manuals

SBS Blue Book

Student Attendance and Accountability Manual

State and Federal Allotments Manuals