

## **River Montessori Charter School**

### **Finance Policy**

The River Montessori Charter School (RMCS) Board of Directors is committed to ensuring the fiscal health of RMCS and providing public accountability. The Board determines the financial goals of RMCS and has financial oversight, including the approval of annual operating and capital budgets, long-range financial plans, and development of sound fiscal policies. The board evaluates whether the financial systems support RMCS goals for student achievement. The board also monitors whether the charter school's activities adhere to its financial policies.

The Board of Education recognizes its critical responsibility for adopting a sound budget that is aligned with the RMCS mission, vision, goals and core values. The school budget shall guide administrative decisions and actions throughout the year and serve as a tool for monitoring the fiscal health of the school.

The school budget shall show a complete plan and itemized statement of all proposed expenditures and all estimated revenues for the following fiscal year, together with a comparison of revenues and expenditures for the current fiscal year.

#### Budget Development and Adoption Process

The Director or designee shall establish an annual budget development process. The Director or designee shall oversee the preparation of a proposed school budget for approval by the Board and shall involve appropriate staff at all levels in the development of budget projections.

The Board encourages public input in the budget development process and when possible, will hold public hearings and meetings.

The Director or designee shall ensure that the proposed school budget is clearly presented and effectively communicated to the Board, staff, and public. The budget that is formally adopted by the Board shall be in the state-required format.

#### Finance Committee

The Finance Committee shall review the proposed budget at regular intervals and report its findings and recommendations to the administration. The committee shall develop recommendations during the budget development process and its duties shall be assigned each year based on needs. All recommendations of the committee shall be advisory only and shall not be binding on the Board, Director, or designee.

To provide guidance in the development of the budget, the Board shall annually establish budget priorities based on identified school needs and goals and on realistic projections of available funds. The Board also shall establish budget assumptions or parameters which may take into consideration the stability of funding sources, enrollment trends, legal requirements and constraints, anticipated increases and/or decreases in the cost of service and supplies, use of one-time resources, categorical program requirements, scheduled salary increases, and any other factors necessary to ensure that the budget is a realistic plan for school revenues and expenditures.

### Budget Criteria and Standards

In developing the district budget, the Director or designee shall analyze criteria and standards adopted by the State Board of Education which address estimation of funded average daily attendance (ADA), projected enrollment, ratio of ADA to enrollment, projected revenue limit, salaries and benefits, other revenues and expenditures, facilities maintenance, deficit spending, fund balance, and reserves. The budget review shall also identify supplemental information regarding contingent liabilities, use of one-time revenues for ongoing expenditures, use of ongoing revenues for one-time expenditures, contingent revenues, contributions, long-term commitments, and unfunded liabilities.

The Board shall establish and maintain a general fund reserve for economic uncertainty.

Prior to adopting the budget, the Director or designee shall conduct a first-tier review, and if necessary a second-tier review, to ensure that the budget meets standards and criteria adopted by the State Board of Education.

RMCS's current-year budget and multi-year projections shall include adequate provisions for addressing the school's long-term financial obligations.

### Budget Amendments

Whenever revenues and expenditures change significantly throughout the year, the Director or designee shall recommend budget amendments to ensure accurate projections of the school's net ending balance. When final figures for the prior-year budget are available, this information shall be used as soon as possible to update the current-year budget's beginning balance and projected revenues and expenditures.

In addition, budget amendments shall be submitted for Board approval when the state budget is adopted, school income declines, increased revenues are made available to the school, and/or other significant changes occur that impact budget projections.

### Financial reports

The Director or designee shall ensure that all financial reports are prepared in accordance with law and in conformity with generally accepted accounting principles and financial reporting standards stipulated by the Governmental Accounting Standards Board and the California Department of Education. The reports should highlight any deviations from the budget, projected revenues, and any actions the charter school administrator is taking to correct those deviations. These financial reports should include 1) a cash flow projection worksheet, updated monthly, covering a 12-month period showing all anticipated financial obligations and expected cash revenues to understand when funds are insufficient to cover expenses; 2) a balance sheet summarizing the school's assets, liabilities (debts or payables), and reserves to assess financial stability; and 3) an income statement presenting an analysis of the net income or deficit of RMCS to compare actual income and expenditures with the budget. These reports should be kept simple and

accurate. He/she shall establish a system of ongoing internal controls to ensure the reliability of financial reporting.

The finance committee will receive an income statement monthly, with explanations of any significant variance, and otherwise receive quarterly reports of a cash flow projection update, a balance sheet, and a list of critical issues that might affect the financial stability of the charter school. The Director or its designee will report monthly to the full board detailing RMCS's income, expenses, and any surplus or deficit.

The Board shall regularly communicate the school's financial position to the public and shall use financial reports to determine what actions and budget amendments, if any, are needed to ensure the school's financial stability.

If RMCS conditions predict fiscal distress or indicate that the school might not be able to meet its fiscal obligations, the Board and Director or designee shall act quickly to identify and resolve these conditions. The Board shall work cooperatively with their authorizer to improve the school's fiscal health and may contract with an external individual or organization to advise the school on fiscal matters.

RMCS reserves the right to amend this policy at any time.

#### References

CSBA: <http://www.csba.org>; Association of California School Administrators: <http://www.acsa.org>; California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>; California Department of Finance: <http://www.dof.ca.gov>; Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>; Governmental Accounting Standards Board: <http://www.gasb.org>; Legislative Analyst's Office: <http://www.lao.ca.gov>; School Services of California, Inc.: <http://www.sscal.com>.

Adopted: October 19, 2010