

Private School Choice Programs Fiscal Management Training

Overview

School Finance Auditors
Parental Education Options
2024-25 School Year

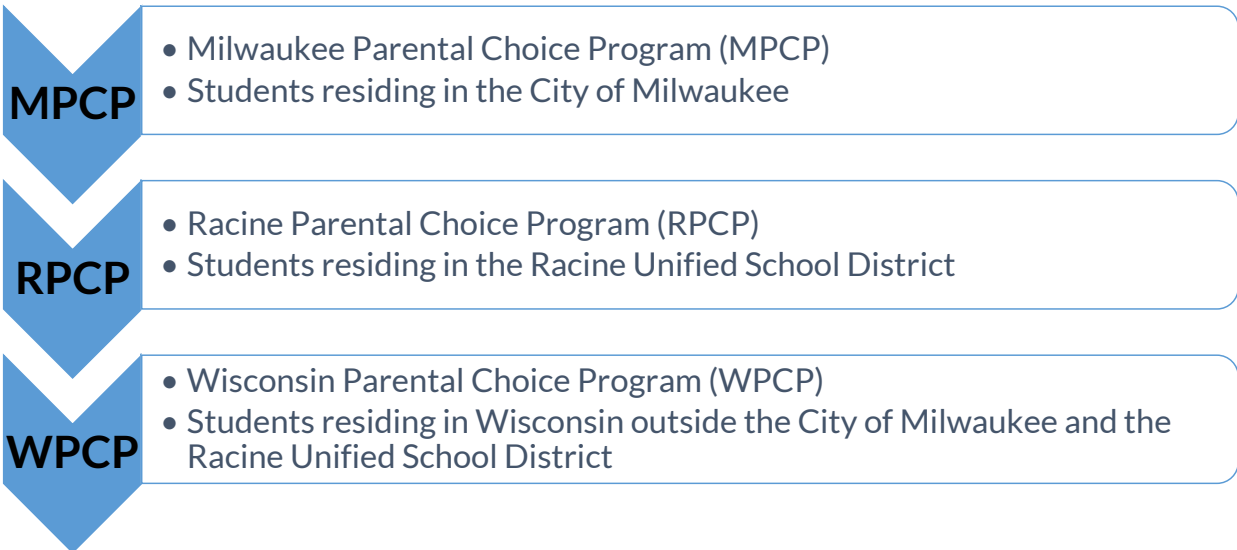


Welcome to the Wisconsin Department of Public Instruction's training module for the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training.

The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. This training is based on the requirements in these statutes and rules. Provisions of this training module are subject to statutory and rule changes.

This section of the training provides an overview of the Choice Program.

Private School Choice Programs



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I will now provide a quick overview of the 3 Private School Choice Programs in Wisconsin. Schools can choose to participate in 1, 2, or all 3 of the programs.

Participation in any of the programs is based on where the student resides.

Students who reside in the City of Milwaukee, should apply to the Milwaukee Parental Choice Program. Students who reside in the Racine Unified School District, should apply to the Racine Parental Choice Program. Students who reside in Wisconsin, but do not reside in either the City of Milwaukee or the Racine Unified School District, should apply to the Wisconsin Parental Choice Program.

The applicant applying will be required to provide documentation showing that he or she currently resides at the address stated on the application.

New School Financial Requirements

- Wisconsin Statute 118.60 (7m) and 119.23 (7m) require that schools new to the Choice programs submit one of the following to the DPI by May 1:
 - DPI Budget & Cash Flow Report, including all related attachments; or
 - Surety Bond

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Wisconsin Statute 118.60 (7m) and 119.23 (7m) require that schools new to the Choice programs submit one of two items by May 1 in advance of the first school year a school participates in the Choice programs.

The options are to either submit the DPI Budget & Cash Flow Report, including all related attachments, or to provide a surety bond.

If the school chooses the surety bond option, it will be required to annually provide a surety bond by May 1 in advance of the school year until the requirements to remove the bond are met.

If the School Chooses the DPI Budget & Cash Flow Report

- The required DPI Budget & Cash Flow Report is posted on the School Submitted Reports webpage.
- The budget must show the school meets the following requirements:
 - The school is financially viable.
 - The school has sufficient contingency funding.
- Schools must use the DPI Budget & Cash Flow Report, including providing required supplemental information to support the budget.
- DPI determines if the school meets the requirements by August 1.
- Schools that select the budget option do not need to provide a budget to DPI after the first school year unless it is specifically requested by the DPI.

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We will now discuss the DPI Budget & Cash Flow Report option. The required DPI Budget & Cash Flow Report will be posted on the School Submitted Reports webpage. Schools that choose the budget option must provide a budget that shows the school is financially viable and that the school has sufficient contingency funding.

Financially viable means that the school must be able to pay for goods and services, make debt service payments, and pay other obligations as they become due. The school must also have sufficient contingency funding. Contingency funding is funding that will be used if the school's actual enrollment is less than expected. These must be funding sources that are not already being used elsewhere in the budget.

The budget must be completed on DPI's Budget & Cash Flow Report. The completed report and all the required attachments must be provided by May 1. DPI will review any budgets submitted by May 1 and determine if the school meets the requirements by August 1. Between May 1 and August 1, DPI will ask questions and request additional documentation to ensure the school meets the budget requirements.

Schools that select the budget option do not need to provide a budget to DPI after the first school year unless it is specifically requested by the DPI.

Annual School Budget Requirements

- Schools that participated in one of the Choice programs in the previous year and new schools that choose the surety bond option must complete a budget for the period from July 1 to June 30, no later than June 30 for the upcoming school year.
- These budgets should not be sent to DPI unless specifically requested.
- The external auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report.
- This training will explain the required components of the annual required Choice budget for all schools participating in the Choice programs.

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We will now discuss the annual school budget requirement. Schools that participated in one of the Choice programs in the previous year, known as continuing schools, and new schools that chose the surety bond option, must complete a budget for the period from July 1st to June 30th.

The annual budget must be completed no later than June 30th for the upcoming school year. These school budgets should not be submitted to DPI unless specifically requested. Instead, the school's external auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report. The school must provide the auditor with evidence that the budget was prepared by June 30th. An example of this evidence would be minutes from a Board meeting approving the school's budget.

This training will explain the required components of the annual required Choice budget for all schools participating in the Choice programs.

Annual School Budget Requirements (Cont)

- The school may use DPI's Budget & Cash Flow Report or their own form.
- DPI recommends that schools use the DPI Budget & Cash Flow Report to meet the annual Choice budget requirement because:
 - It includes all the required components of the budget for Choice program purposes.
 - It determines your Choice reserve balance and required cash and investment balance.
- If the school chooses not to use the DPI Budget & Cash Flow Report for the annual Choice budget requirement, the school must ensure it gains an understanding of the required components of the budget through this training so the school can create an annual budget that meets DPI's requirements.

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For the annual school budget due on June 30th, schools may use DPI's Budget & Cash Flow Report or their own form.

DPI recommends that continuing schools and bond schools use the DPI Budget & Cash Flow report for their annual June 30 budget. The DPI budget form is available on the DPI website under "School Submitted Reports" which is under "Information for Schools". This form is recommended as it includes all the required components of the budget and calculates your Choice reserve balance. The Choice reserve balance is the difference between what the school received from the Choice program and the school's net eligible education expense for Choice program pupils. The school must maintain a cash and investment balance that is at least as much as the Choice reserve balance.

If you choose not to use DPI's budget form for the annual school budget requirement, you must gain an understanding of the required components of the budget through this training so the school can create an annual budget that meets DPI's requirements.

Annual School Budget Requirements (Cont)

If schools use their own budget, it must include the following items:

1. Anticipated enrollments for all pupils enrolled in the school (Sept & Jan)
2. Anticipated enrollments for choice program pupils (Sept & Jan)
3. Total revenues
4. Offsetting Choice program revenues
5. Total cost
6. Eligible education expenses
7. Schedule of anticipated beginning and ending net assets
8. Identification of the contingent funding sources the school will use should actual enrollments be less than expected.
9. The budget must also include the beginning and ending reserve balance.

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If a school elects to use its own budget report, the budget must include the anticipated all pupil count and Choice pupil count for the 3rd Friday in September and the 2nd Friday in January. Please see the 3rd Friday and 2nd Friday Count Report training for additional information about these count dates.

Additionally, the budget must include the total revenues and offsetting revenues for the Choice program. The Financial Audit Bulletin available online describes which revenues are offsetting revenues. The budget must also include total costs and identify the eligible education expenses. The department has an Eligible Education Expense bulletin available online that describes how eligible education expenses must be determined. The budget must include a schedule of anticipated beginning and ending net assets.

The budget must also identify what funding sources the school will use if the school's actual enrollment is less than expected. These must be funding sources that are not already being used elsewhere in the budget. For example, if the school identifies that its line of credit will be used as contingency funding but anticipates fully using the line of credit for two months during the year, then the line of credit would not be a sufficient source of contingency funding. Lastly, the budget must also include the beginning and ending reserve balance.

Please note that while schools are not required to use the accrual basis of accounting during the school year, they are required to prepare the budget using the accrual basis of accounting and include the net asset balances in their budget.

See Training 6-3 for additional information on the annual school budget requirements.

General Financial Requirements

1. External auditor selection
2. Fiscal & Internal Control Practices
3. Enrollment audits
4. Financial audit

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We will now go over the general auditor related requirements for the program. First, we will discuss the process for a school to select an external auditor and will then briefly go over the reports your external auditor will complete. This includes the Fiscal & Internal Control Practices Report, the Enrollment Audits, and the Financial Audit.

External Auditor Selection

- The school must select an auditor to complete the 4 required audits and reports that are required every school year.
- An auditor authorization form must be completed identifying this auditor. This form should be emailed to dpichoicedauditreports@dpi.wi.gov by **August 15, 2024**.
- Generally, the auditor cannot be someone who completes bookkeeping or other non-audit services for the school.

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Schools must select an auditor to complete the 4 reports that are required every school year. An auditor authorization form must be completed identifying the auditor the school will use. This form should be provided to DPI by August 15, 2024. Generally, the selected auditor cannot also complete bookkeeping or other non-audit services for the school.

Training 3-3 available on the On Demand Training webpage provides additional information on the auditor requirements and information on how to complete the form.

Fiscal & Internal Control Practices

- Fiscal & Internal Control Practices include:
 - Vendor and employee payment requirements
 - Transportation requirements
 - Insurance requirements
 - Employee education requirements
 - Background checks

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The auditor will annually complete a Fiscal & Internal Control Practices Report that determines if the school is meeting the program's fiscal and internal control practices requirements. This report is required to be submitted to DPI by December 15th each year. The fiscal and internal control practices includes verifying that the school is paying vendors and employees on time, complying with applicable transportation and insurance requirements, and meeting employee education and background check requirements.

The first set of mandatory trainings you had to complete for this training discussed the fiscal and internal control practices requirements. These trainings are also available on the department's On Demand Training webpage.

Enrollment Audits

An independent auditor must complete an audit of the 3rd Friday in September count and the 2nd Friday in January count.

The auditor will:

- Determine if the Choice applications are eligible.
- Determine which pupils meet the attendance requirements. This may result in ineligible pupils or additional eligible pupils.
- Ensure the data in the Online Application System (OAS) is correct.

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An independent auditor must also complete audits of the pupil counts as of the 3rd Friday in September and the 2nd Friday in January. The audit of the 3rd Friday in September pupil count must be submitted to DPI by December 15th. The due date for the 2nd Friday in January enrollment audit depends on the programs your school is participating in. For schools participating in the Wisconsin and Racine programs, it is due the first weekday in May. For schools that only participate in the Milwaukee program, it is due the last weekday in June.

As part of the Enrollment Audits, the auditor will determine if the Choice applications met the eligibility requirements, determine if the Choice pupils met the attendance requirements, and verify that the enrollment data in the Online Application System is correct.

Financial Audits

- Prepared in accordance with Generally Accepted Accounting Principles (GAAP).
- The fiscal year for the financial audit and budget must be the school year from July 1 to June 30.
- Choice schools that receive less than \$100,000 annually in all of the Choice programs plus the Special Needs Scholarship Program (SNSP) in all previous school years and the school year being audited, may submit a modified financial audit to the DPI.



Lastly, schools participating in the Choice program are required to obtain an annual financial audit. The financial audit must be prepared in accordance with Generally Accepted Accounting Standards.

Please note that all schools participating in the Choice programs must have a fiscal year from July 1st to June 30th. This must be the fiscal year used in the financial audit and the budget. If a school does not have July 1st to June 30th as their fiscal year, the school must change their fiscal year to match these dates.

Schools have two options when submitting a financial audit. Choice schools that have received less than \$100,000 annually in all previous years and the current year being audited, from all Choice Programs including the Special Needs Scholarship Program, may submit a modified financial audit to DPI. Otherwise, the school must submit a standard financial audit.

Financial Audits (cont)

Modified Financial Audit:

- Statement of Financial Position-includes assets and liabilities (current year audited only)

Standard Financial Audit Required Financial Statements:

- Statement of Financial Position-includes assets and liabilities
- Statement of Activities-includes revenue and expenses
- Statement of Cash Flows-shows how cash was generated & used during the year

Standard Financial Audit Required Years:

- All of the statements must include an audited current and prior year.
- The only exception is the first standard financial audit. In the first year a standard financial audit is submitted, the Statement of Activities and Statement of Cash Flows may only include current year audited financial statements.

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The required financial statements for the financial audit depend on whether the school uses the modified financial audit option or standard financial audit option.

Modified financial audits must include the statement of financial position for the current year. The statement of financial position is similar to the balance sheet. It includes the assets and liabilities of the school.

The standard financial audit must include the statement of financial position, statement of activities, and statement of cash flows. The statement of activities is similar to the income statement. It includes the revenue and expenses for the school. The statement of cash flows shows how cash was used during the year.

The financial statements in the standard financial audit must include the financial information for the school year being audited and the previous school year. The financial information for both years must be audited by the auditor. The only exception is the first time a school submits a standard financial audit. In the first year a standard audit is submitted, the statement of activities and statement of cash flows may only include the current year audited financial statements.

Financial Audits (cont)

- The financial audit may either:
 - Include the school only financial information.
 - If a school is part of a larger organization, the financial audit may be prepared at the consolidated organizational level as permitted by Generally Accepted Accounting Principles (GAAP).
- If the financial audit is prepared at the school only level:
 - The audit must include all activity and balances of the school, including allocating any shared assets, liabilities, revenue, & expenses between the larger organization and the school.
 - The school must separately track its cash balance throughout the year and reflect that balance in the statement of financial position.

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Unlike the budget, if a school is part of a larger organization, the financial audit may be prepared at the consolidated organizational level, as permitted by GAAP, or at the school only level. If the financial audit is prepared at the school only level it must include all activity and balances of the school, including allocating any shared assets, liabilities, revenue, and expenses between the organization and the school.

The school must track the school's cash balance throughout the year and reflect that balance in the statement of financial position.

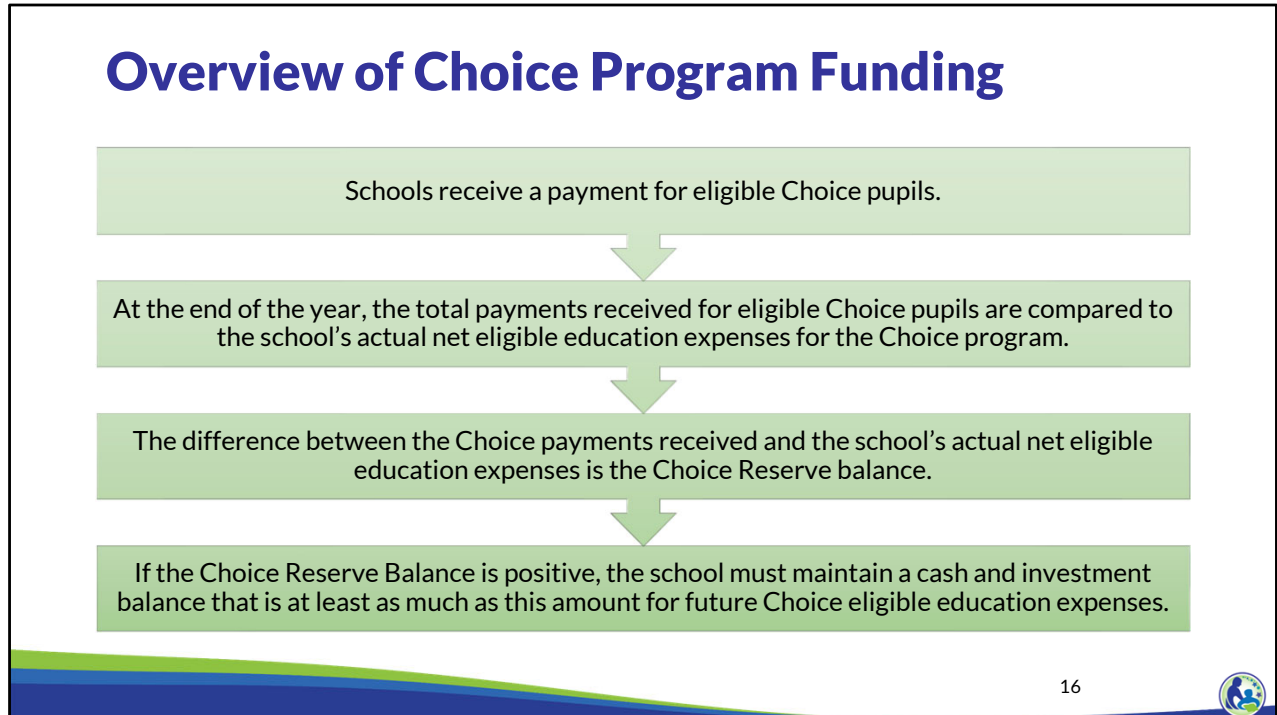
Choice Reserve Balance Schedule

- The financial audit includes a reserve balance schedule to calculate the school's Choice reserve balance.
- The reserve balance schedule for the standard financial audit calculates eligible education expenses as the expenses in the Statement of Activities less the ineligible expenses.
- The reserve balance schedule for the modified financial audit includes the eligible education expenses by category and identifies what expenses of the legal entity of the school have been excluded from eligible education expenses.

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The financial audit includes a reserve balance schedule to calculate the school's Choice reserve balance. The reserve balance schedule for the standard financial audit calculates eligible education expenses as the expenses in the statement of activities less the ineligible expenses. The reserve balance schedule for the modified financial audit includes the eligible education expenses by category and identifies what expenses of the legal entity of the school have been excluded from eligible education expenses.



During the school year, your school will receive a payment for eligible Choice pupils. At the end of the year, the total payments received for eligible Choice pupils are compared to the school's actual net eligible education expenses for the Choice program. The difference between the Choice payments received and the school's actual net eligible education expenses is the Choice reserve balance. If the reserve balance is positive, the school must maintain a cash and investment balance that is at least as much as this amount for future Choice eligible education expenses.

The program revenue included in the reserve balance calculation is the Choice program revenue related to the school year and the revenue received from the Choice program for summer school. If the school offers summer school, it is considered to be revenue for the following fiscal school year. For example, revenue from summer school held in 2024, would be considered revenue for the 2024-25 fiscal school year.

Knowledge Check

True or False:

- 1) If our school selects the surety bond option, the school does not need to complete a budget for the Choice program for the 2024-25 school year. **False**
- 2) The Department directly reimburses schools for expenses for Private School Choice Programs pupils. **False**
- 3) If the legal entity of the school does not currently have a fiscal year from July 1st to June 30th, it must change its fiscal year. **True**

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Please pause the training and take a few minutes to read through each of the true or false questions on the screen. Once you are ready to go through the answers, resume the training.

- 1) False. All schools are required to complete a budget annually that meets certain requirements. If a school does not use the budget and cash flow option for the initial participation requirement, it must complete a budget by June 30th that includes all of the items we talked about earlier.
- 2) False. DPI does not directly reimburse schools for particular costs. Instead, the school receives Choice payments during the year. At the end of the year, those amounts are compared to the school's net eligible education expenses. The difference between these 2 amounts is known as the Choice program reserve balance. If the school has received more money from the Choice program than they have spent on eligible education expenses, they must maintain that amount for future eligible Choice program expenses.
- 3) True. All schools participating in the Choice programs must have a fiscal year from July 1st to June 30th.

Available Resources

On Demand Trainings

- K4 Parental Outreach (Training 1-3)
- Auditor Authorization Form (Training 3-3)
- Surety Bond and New School Budget & Cash Flow Report (Training 3-5)
- Financial Audit Requirements (Training 5)
- Fiscal & Internal Control Practices (Training 6)
- Payment Process, Pupil Count Overview, Audit Overview (Training 9-1)
- Count Reports (Training 9-2 & 9-3)
- Report Cards, Student Information System, and WISEdata (Training 4-1)

<https://dpi.wi.gov/parental-education-options/choice-programs/on-demand-training>

Bulletins

- Financial Audit and PSCP/SNSP Reserve Balance Bulletin
- PSCP Eligible Education Expenses Bulletin
- K4 Parental Outreach Activities Bulletin
- Tuition and Fees Bulletin
- Criminal Background Check Bulletin
- Staff Credentials Bulletin
- Summer School Bulletin
- Accreditation Bulletin

<https://dpi.wi.gov/parental-education-options/choice-programs/bulletins>



The department has on demand trainings and bulletins available to help schools understand programmatic requirements. Schools are encouraged to review these trainings and bulletins throughout the year when you have questions on the Choice program requirements.

The Auditor Authorization form training explains how the school selects an auditor and authorizes the department to share confidential pupil data with that auditor.

The Surety Bond and New School Budget & Cash Flow Report training describes the surety bond option compared to the budget and cash flow report option. The financial audit requirements training describes the annual financial audit requirements. The Fiscal & Internal Control Practices Report training goes through each of the Fiscal & Internal Control Practices that the school is required to meet. The Payment Process training discusses payments. The Count Reports training discusses Choice pupil counts.

The department has a bulletin on the Financial Audit and PSCP/SNSP Reserve Balance Bulletin that describes the financial audit and how the reserve balance schedule works. The PSCP Eligible Education Expenses Bulletin describes what expenses can be eligible.

Questions?

Auditors for the Choice Program

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Budget questions should be sent to:
dpichoiceauditreports@dpi.wi.gov

**General program questions should
be sent to:**
privateschoolchoice@dpi.wi.gov

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The contact information for each of the Choice program auditors is listed on the screen. Questions on this training, including questions on the budget and cash flow report, should be directed to dpichoiceauditreports@dpi.wi.gov, rather than a specific auditor. This mailbox is monitored by all of the Choice program auditors.

If you have general Choice program questions, they should be directed to the Choice program consultants at privateschoolchoice@dpi.wi.gov.