

Attachment 21 - Business Plan

a. Expected Funding Sources.

SMS will be deriving its revenue from the following sources:

- state and local appropriations based on a unit count scenario;
- Federal funds for mandated programs, such as Title I, Title III, and Free and Reduced Lunch programs;
- Private donations, foundation giving, and grants.

It is our intent that the operating costs of the school, primarily personnel costs, contracts, facility lease and transportation will be paid through State and Local Appropriations, unless otherwise specified by federal law in the case of federal funding. Private funds will be used to provide specific programming (technology, ELL, etc.), which can be changed if funding does not materialize so that the academic fidelity of the program does not suffer. A 2% contingent reserve will always be available.

b. Operations Overview. Describe the systems and processes by which the school will manage accounting, purchasing, payroll, and audits, pursuant to 14 Del. C. § 512(8) and (9). ...

Financial operations, including payroll and accounts payable, will be under the direction of the School Leader, with the assistance of the Treasurer of the Operating Board. The school will also be supported by an independent financial services contractor, who will assist with the financial accounting, reporting, compliance and budgeting activities. This contractor will provide all reports, transactions, etc., to the School Leader and Board Treasurer prior to execution.

SMS is in discussions with Positive Outcomes Academy to provide these third party accounting and payroll services through First State Financials. We will also be using an outside independent accounting firm to perform our annual financial statements and single audit.

SMS will follow the State Budget and Accounting Policy Manual as it relates to all transaction regulations, guidelines, and filing procedures. The school will use the First State Financials (FSF) system for all financial, accounting, and purchasing transactions. SMS's financial reports will be posted on the school's website on a monthly basis following Board approval. Financial Position Reports, required by Title 14, will be prepared and submitted to the Department of Education. In addition, the school will commission an annual independent financial audit to ensure compliance with the standards of the State Auditor's Office with respect to process controls and segregation of duties.

SMS will utilize the Payroll Human Resource Statewide Technology (PHRST) system for managing and reporting compensation, payroll, personnel information, and employee benefits. All pension-related functions, from the initial actuarial form at the time of employment through the pension application at retirement, will be processed by the third party independent vendor, who will be properly trained in accordance with state requirements.

SMS intends to hire its teachers as state employees, and as such, will offer compensation packages, retirement, and benefits through the State of Delaware. The school will take advantage of the state purchasing system in order to maximize its buying power. The school may independently contract for certain goods and services as needed and appropriate.

In order to maintain responsible fiscal accounting, planning and management practices and to comply with the requirements of Title 14, Sec 736 of the Delaware Administrative Code, a Citizens Budget Oversight Committee will be established prior to Year 1 to review and analyze all financial expenditures, management practices, and budgeting. This Committee will have at least five members, including one educator from SMS, one board member, at least two parents or community members who are not school employees or board members, and a representative from the DDOE. Training for the CBOC will be provided by DDOE. The CBOC will consult regularly with the board and school leader. The committee will remain actively in place during each year of school operation, and will comply with the regulatory requirements for membership, training, and operations.

c. Depositing Funds. Describe the process by which funds will be deposited into the school's state account. If a state account is not used, describe where the funds will be deposited to ensure that all school funds are available for audit by the State Auditor's Office upon request.

All funds not directly uploaded into the school's FSF appropriations or delivered via Inter-Governmental Voucher will be deposited in person to the state account at a Citizens Bank office by a member of the school staff.

d. Audits. Describe the financial controls that the school will have in place, including the annual audit of the financial and administrative operations of the school. Include evidence that the school will adhere to the accounting, auditing, and reporting procedures and requirements that apply to public schools operating in Delaware in accordance with the State Budget and Accounting Manual and 29 Del. C. Ch. 69.

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e. School closure, non-renewal, or dissolution. Describe the plan and procedures that the school will follow in the event of the closure, non-renewal, or dissolution of the school. Also, the applicant is to put forth a reasonable plan to establish sufficient available balances pursuant to 14 Del. C. § 515(k) below:

To prepare for a possible closure or dissolution of the school, SMS will set aside adequate funds to ensure that all employees are paid according to their contractual agreements with the school; to pay any staff who would be required for close-out activities; and, to pay any vendors such as auditors, movers, liquidators, etc. that would be needed (see budget information in Attachment Section 16). All cash and cash equivalents will be distributed first to satisfy outstanding payroll obligations for employees of the school, then to the remaining creditors of the school. To ensure that the funds are

Attachment 21 – Budget Plan – Sussex Montessori School

available to satisfy all closing costs, the school's board will, over the next five fiscal years, build into its budget a cash reserve until it is at an adequate level to do so. The board will review fund balances and financial projections on a monthly basis to ensure the fiscal health of the school and the maintenance of the reserve fund. In the event that SMS is closed for nonfinancial reasons and, following the authorizer's charter school closure protocol, the SMS board would work closely with the DDOE concerning the steps necessary (parent notification, transfer of records, disposition of school assets, etc.) to ensure a smooth and orderly closure and transition.