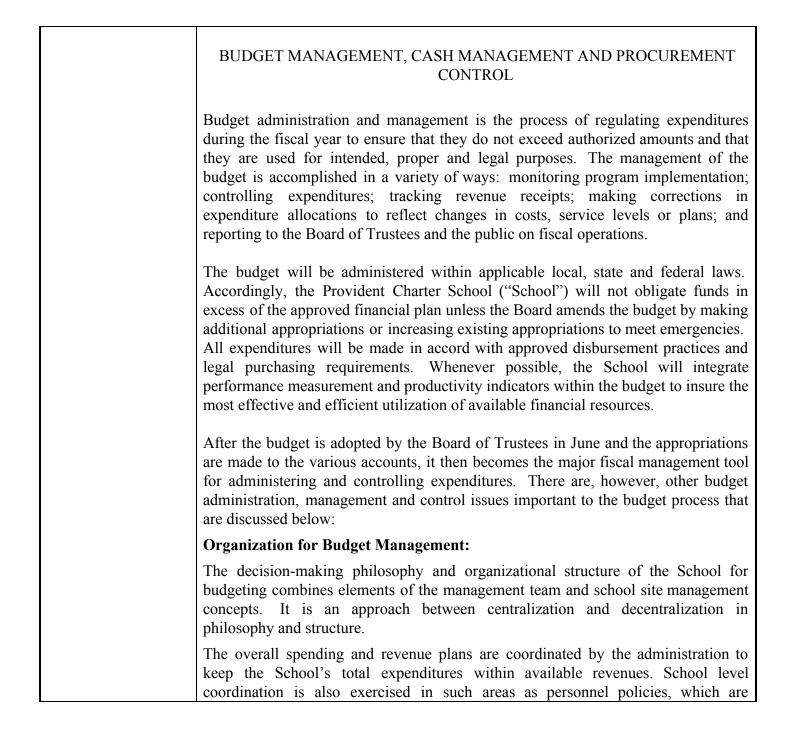
PROVIDENT CHARTER SCHOOL



BUDGET MANAGEMENT AND CONTROL

established and monitored centrally to maintain general uniformity and compliance with state and federal statutes. However, budgetary allocations to responsibility cost centers, particularly the building budget appropriations, are provided in an unrestricted, lump-sum amount and decisions on how to allocate these monies are made at the site or department level. For example, principals, are required by Board policy to provide participation for the professional staff in the decision making process on the use of building resources through Committees.

Expenditure Control for Approvals/Procurement:

For management control purposes, the operating budget (General Fund) of the School is disaggregated into responsibility cost centers, which are grouped into broad types of responsibility cost centers. The CEO is accountable for the management of the financial resources approved by the Board for each of the responsibility cost centers in the operating budget. Thus, every expenditure appropriation in the School's budgets is assigned to a responsibility cost center manager who is accountable for the proper expenditure of funds.

Each of the budget managers is authorized to approve the expenditure of funds within their respective responsibility cost center appropriations, provided that funds are expended in accord with School purchasing procedures and legal requirements. Administrative regulations require that all purchase orders be forwarded to the business office to verify availability of funds, proper account coding, and compliance with legal purchasing procedures. All bid awards and contracts must be approved by the Board of Trustees. The CEO also carefully monitors comparisons between budget and actual expenditures to maintain cost control and to insure against overspending.

Encumbrance Control:

Another important component of the School's budgetary controls is the encumbrance of funds. Encumbrances are obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation and for which part of the appropriation is reserved. The purpose for the encumbrance of funds is to ensure that obligations are recognized as soon as financial commitments are made. Otherwise, the accounting system would only record actual amounts entered into the expenditure accounts, not those that are planned or anticipated. In short, the encumbrance of funds is an important control measure to prevent the inadvertent over expenditure of budget appropriations due to the lack of information about future commitments. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are canceled.

Transfers Between Budget Accounts:

The budget is a spending plan based on a series of assumptions and estimates. Rarely, if ever, will all of the actual expenditures be equal to the detailed budget

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estimates. As actual expenditures are incurred, adjustments are required in the budget between accounts to cover higher than expected costs or to provide for an unanticipated expense. However, School controls on the transfer of funds insure that expenditures do not exceed available financial resources. Responsibility cost center managers have the authority to transfer funds between accounts that increase or decrease appropriated amounts with certain constraints. Such constraints include that transfers between responsibility cost centers, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board in advance. In addition, transfers between functions must also have the prior approval of the Board of Trustees.

Management Information and Reporting for Budget Control/Cash:

The School maintains an interactive, on-line budgetary accounting and control system that provides interim, monthly and annual reports to assist Board Members, the CEO and responsibility cost center managers in administering, monitoring and controlling the implementation of the budget. The information from the automated accounting information system is important and relevant in evaluating the financial condition of the School and the cost center managers.

The reports produced from the information system are designed for specific School needs and meet state and federal reporting requirements. Among the most important documents for management control purposes are expenditure reports, which are prepared by function and by responsibility cost center to track actual expenditures against the budget. Revenue reports are also prepared to track receipts against the budget.