



# **Chattahoochee Hills Charter School**

## **Financial Policies Manual**

*\*Revised March 2018*

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# Budget Policy

## Budget Process and Implementation

The Governing Board of The Chattahoochee Hills Charter School shall approve an annual operating budget for each fiscal year that will project income and expenses and will provide for programs and support services. The board will approve the annual budget prior to the start of the school year.

The board authorizes the Executive Director to manage CHCS in accordance with the approved annual operating budget. Programmatic or operational changes that may have a significant impact on the annual budget shall be reviewed by the board between budget cycles and may lead to a budget revision.

## Financial Planning

Budgeting for any fiscal period shall not deviate materially from the mission, goals, and strategies; risk fiscal jeopardy; nor fail to show a generally acceptable level of foresight.

Accordingly, the Executive Director in consultation with Principal and Chief Financial Officer(CFO)/Director of Operations(DOO) shall develop a budget that:

- Contains enough detail to enable accurate projection of revenues and expenses, separation of capital and operational items, cash flow and subsequent audit trails, and disclosure of planning assumptions
- Plans the expenditure in any fiscal year of no more funds than are available or conservatively projected to be received in that period
- Maintains current assets (cash, accounts receivable, prepaid expenses, etc.) at any time to no less than 100 percent of current liabilities (accounts payable, debt due in 12 months, etc.)
- Does not deviate materially from board-stated priorities and board-approved budgets (except for grant revenues received during a fiscal year and their related expenditures) without seeking board approval

## Budget Objectives

The budget process is designed to provide:

- A means by which spending limits are set based on expected revenue levels
- A means for setting program priorities and allocating resources to those priorities
- A means for comparison of actual financial results to budgeted amounts and analysis of differences from those budgeted amounts

## Preparation of Budget

Prior to the end of the school year, the Executive Director, CFO/DOO, Principal, and Finance Committee shall review the financial activity for the prior fiscal year, including actual

results of operations, mission of the organization, goals, short-term plans, and any other relevant information deemed appropriate.

## **Approval of Budget**

After preparation of the budget for the next school/fiscal year, copies of the budget and any material proposals to reduce or increase costs shall be sent to all board members. No later than the regularly scheduled June board meeting, or the board meeting closest to the end of the fiscal year, the board shall meet to discuss and approve or reject the budget. If the budget is rejected, the board shall direct the CFO/DOO, Principal, and Board Treasurer to amend the budget for changes as directed by the board.

## **Review of Budget**

Once the budget has been set for the school/fiscal year, the budget shall be included in the school accounting system. As monthly financial statements are prepared, a comparison of actual monthly and year to date results of operations to budget figures shall also be prepared. The financial statements and budget variances (with detailed explanations for material variances) shall be reviewed by the Finance Committee and distributed to the board. When deemed necessary, the board shall revise the budget to fund additional services or make allowances for other unbudgeted revenues or expenses.

## **Adjustments to the Budget**

During the course of the school year, the school may be faced with unbudgeted or unexpected costs, or may need to reallocate funding between program areas. The CFO/DOO, Principal, and the Finance Committee shall prepare a request for allocation from the board that either allocates funds from annual surplus or reserves, or shifts funding between programming areas. This request shall be presented to the board for approval or rejection. If the request is rejected, the board shall direct the CFO/DOO and Board Treasurer to amend the request for changes as directed by the board. At no time may these adjustments allocate restricted funds towards costs that violate the terms of their grant.

# **Purchasing and Procurement Policy**

## **Rules and Regulations**

Chattahoochee Hills Charter School will establish procedures to provide for an efficient and fiscally responsible system for the purchase of materials and services necessary for the effective operations of the school. The purchasing department will maintain purchasing rules and regulations for internal use.

## **Budget**

Anticipated expenditures shall be included in the normal budgetary process, and when necessary, as part of the budget. The annual budget shall include purchase requests for all new and replacement capital assets.

## **Purchasing**

Any equipment or services with an estimated value of \$2000 or more shall be purchased through competitive bidding or comparative pricing by at least three vendors whenever possible. Comparative pricing or competitive bidding should also be used periodically for regularly purchased materials, supplies, services, and insurance.

## **Purchasing Process**

Competitive bids should be solicited through a simple RFP process.

Prior to issuing any RFP, that RFP should be authorized by the Finance committee and reconciled with the school budget. A rough estimate of the intended cost should be documented and agreed upon and calculated by the Treasurer and CFO/DOO prior to issuance of an RFP.

That RFP process should include the basic specifications of the item or service to be required, and may be as simple as a bulleted list of one-sentence requirements, sent to a minimum three vendors with a specific deadline. If the estimated contract value exceeds \$5,000 annually, the contract should also be posted to the CHCS website.

The CFO/DOO should use sound judgement in selecting the winner of the bidding process, and should not default to lowest cost. Other factors to include in the selection of a vendor should be:

1. Local preference: businesses that are located within the Palmetto and Chattahoochee Hills area should be given a preference. Should the bids fall within a 10% range of one

another, and no other determining factor is in question, the purchase should go to the local vendor.

2. Strategic interest of the school: businesses that are deemed to have the potential to provide additional, long-term value to the school should be given a preference.
3. Vendors with a strong-track record of delivering successful projects for the school shall be given a preference over vendors who have not worked with the school before.
4. Vendors with no track record of the school shall be given a preference over vendors with a weak track-record of delivering successful projects for the school.

All contracts of greater than \$100 are required to have payment terms of no less than Net 30.

## Authority

Purchases for goods and services that are part of the approved annual budget can be made without approval from the Board. This does not alleviate the CFO/DOO/DOO, Principal or Executive Director from the obligation of following appropriate financial controls.

The CFO/DOO can make purchases up to \$500 without preapproval. The Principal must preapprove purchases between \$500-\$2,000. The Executive Director must preapprove all purchases over \$2,000. The Principal and Executive Director shall review invoices, reimbursements, and or payments monthly for appropriateness and approval.

If establishing a new contract for services, the Principal shall seek approval before executing any contracts:

- If the contract value is \$5000 or more, and there are no conflicts of interest with any board member with any of the vendors who have bid on the project the Finance Committee can provide approval.
- The Governing Board must approve any contracts over \$10,000.
- All vendors relating to teaching personnel at the school: contracted teachers, substitute teachers, tutors, and Early Morning and Afternoon Program curriculum expenses, supplies, and materials must have approval by the Executive Director.

# Capital Asset Policy

## Property

The Executive Director must approve any purchase or sale of long-term assets, which is defined as those assets with a lifetime of greater than 1 year and an individual item cost of greater than \$2000. Additionally, any individual technology purchase that has an aggregate cost of over \$10,000 and a useful lifetime of greater than 1 year must have Governing Board approval.

Additionally, a fixed-asset inventory of office equipment, computers, and printers will be maintained by the Principal or designee. This includes both long term assets as well as assets that were expensed. This asset list must also reflect the funding source.

## Life of Assets

A fixed asset should be recorded for any item with an individual cost of greater than \$500. Per Georgia Department of Education policy, items of less than \$500 can be expensed against an appropriate cost code. If it is determined that an item will be depreciated, the asset will be depreciated using the straight line method.

Pursuant to GASB, the school determines the useful life for classes of assets based on:

1. General guidelines obtained from professional or industry organizations
2. Information for comparable assets of other governments
3. Internal information.

For accounting purposes, the life of capital assets will be:

<b>Asset Category</b>	<b>Useful Life (Years)</b>
Books and Materials	5
Computer Equipment	3
Automobiles	8
Audiovisual Equipment	6
Grounds and Maintenance Equipment	15
Furniture	7

# Financial Reporting Policy

## Financial Audit

### Purpose

The Chattahoochee Hills Charter School is required, under statute, to have an annual audit of its financial statements conducted. The purpose of this policy is to:

- Establish the process by which the school contracts for these audit services for a fixed term
- Ensure that the services provided by the external auditors are relevant to the information and fiduciary needs of the board
- Ensure that the school is receiving value for money in the delivery of audit services
- Ensure the independence of the auditors is maintained at the highest level, both in appearance and fact

### Scope

This policy shall apply to all matters relating to the financial and accounting affairs of the school, and to any services provided by the auditors.

### Policy

The agreement for the provision of audit services is between the Chattahoochee Hills Charter School board and the selected audit firm. The board will decide on the firm to be selected, with recommendations from the Finance Committee.

- An audit will be conducted annually and will include such matters as are standard as well as addressing other specific issues as requested by the board.
- The selection of an audit firm will be based on the fees quoted, the firm's experience with schools, nonprofit organizations, and the ability of the firm to address any issues identified by the board.
- The recommendation with respect to the selection of an audit firm will be made by the Finance Committee for approval by the board.
- The appointment of auditors will be confirmed annually by the board.
- The school's auditors should not normally be engaged to perform any non-audit services unless an extraordinary circumstance exists, i.e., where a specific expertise is required that is not reasonably obtained from another vendor. In addition, the auditors shall not perform any substantial services for any board member or the Principal.



- The Finance Committee shall review all non-audit services to be provided to the school by its independent auditor. With pre-approval of the Finance Committee, the independent auditor may be engaged to perform non-audit services. The organization may not engage the independent auditor to perform the following non-audit services:
  - Bookkeeping or other services related to the accounting records or financial statements of the school
  - Financial information systems design and implementation
  - Appraisal or valuation services
  - Actuarial services
  - Internal audit outsourcing services
  - Management functions or human resources
  - Broker or dealer, investment advisor, or investment banking services
  - Legal services and expert services unrelated to the audit
  - Any other service that the American Institute of Certified Public Accountants determines is inconsistent with the auditor's independence

The Board Treasurer is authorized to pre-approve any audit-related or other non-audit services between Finance Committee meetings. Such interim pre-approvals shall be reviewed with the full committee at its next meeting for its ratification.

## Monitoring

The Finance Committee will review this policy annually, and report on its review to the board including any recommendations for changes to the policy.

## Procedures

While the CFO/DOO of Chattahoochee Hills Charter School is involved in the selection process and is responsible for the management of the audit, the approval of an audit firm is the responsibility of the board.

- When deemed prudent, the CFO/DOO will issue a Request for Proposal (RFP) from selected firms with substantial experience auditing non-profit organizations for the provision of audit services. The RFP will include requests for information on services related to specific issues that the board wishes to address in the course of the audit.
- The RFP for provision of audit services will be issued to a minimum of three (3) firms eligible to provide audit services in the State of Georgia.
- The CFO/DOO, in consultation with the Board Treasurer and Finance Committee on behalf of the board, will select the audit firms to be included in the RFP.

- All proposals to engage the independent auditor to perform non-audit services shall be presented to, and approved by, the CFO/DOO and Board Treasurer before the proposal is submitted to the Finance Committee for its approval.
- Each non-audit service that is reviewed by the Finance Committee shall be reflected in a written engagement letter or writing specifying the services to be performed and the cost of such services.

In the event that the Fulton County School system undergoes a competitive selection process for an independent auditor, the Principal, CFO/DOO, and Board Treasurer can recommend, and the board can approve, the use of an independent auditor sourced by Fulton County instead of undertaking its own auditor selection process.

## **Schedule**

The Chattahoochee Hills Charter School shall prepare its annual audit report and submit it to the Fulton County School System by September 30. The Finance Committee shall review the report and provide recommendation to the board, based on the auditor's analysis. The board shall review the audit and recommendations and shall ratify both items at its regularly scheduled September board meeting, or another suitable meeting such that the audit shall be provided to Fulton County on schedule.

## **IRS Form 990 and 990-T**

The CFO/DOO shall ensure that tax payments and other government-ordered payments or filings are filed in a timely and accurate manner. The Board Treasurer shall sign and certify that the IRS Form 990 is accurate and complete. The Finance Committee shall review and approve the IRS Form 990 annual tax filing prior to submission. Consistent with the requirements of §6104(d) of the Internal Revenue Code and the regulations there under, copies of the organization's Form 990 shall be made available, upon request, in a timely manner, and to any individuals who request it.

## **Board Checklist for IRS Form 990**

The board shall ensure that the following steps toward public disclosure of the Chattahoochee Hills Charter School's financial status take place:

1. Distribute, to the full board, a copy of the Form 990 in advance of filing for review and consideration.
2. File accurate, complete, timely, and in compliance with regulatory requirements Form 990 by November 15, based on fiscal year ending June 30, without extension, each year.

3. File accurate, complete, timely, and in compliance with regulatory requirements Form 990-T (Unrelated Business Income Tax) by November 15, based on fiscal year ending June 30, without extension, each year if applicable.

### **Standard Financial Statements of the Organization**

The basic financial statements of Chattahoochee Hills Charter School shall include:

- Income Statement
- Budget versus Actual Report
- Cash Flow Projection Report

### **Frequency of Preparation**

The CFO/DOO shall ensure a standard set of financial statements described in the preceding section are produced on a monthly basis, by the 15th of each month.

### **Review and Distribution**

All financial statements and supporting schedules shall be reviewed and approved by the Finance Committee.

# Financial Controls Policy

## General Authorization

1. Authorization for signatures necessary on contracts, checks, and orders for payment, receipt or deposit or withdrawal of money, and access to securities of the Chattahoochee Hills Charter School shall be provided by resolution of the board.
2. Any individual authorized to purchase goods and/or services for the organization shall follow the procedures set forth in these policies.
3. The Executive Director in consultation with the Principal shall be responsible for reviewing and recommending an annual budget to the board for approval.
4. The board shall be responsible for adopting the annual budget.
5. No expense shall be incurred in excess of the total budgetary appropriations without prior approval of the board.

## Check-Signing Authority

1. The Executive Director, the Board Chair, the Board Secretary and the Board Treasurer are authorized to sign checks.
2. Any checks payable to an authorized check signer shall be signed by someone other than the payee.

## Disbursement Procedures

Chattahoochee Hills Charter School shall have a five-step disbursement procedure. Each step in this process should be handled by a separate individual in either the administrative staff or the board of trustees. To ensure operational integrity, each step in the procedure shall have a primary and alternate designee. In the case where an alternate provides approval, they may only approve a single step of any transaction.

### **Receipt and Records- Task Responsibility: CFO/DOO**

The CFO/DOO shall maintain any contracts and invoices. They shall be marked with the date received, scanned, and entered as a new bill in the Chattahoochee Hills Charter School accounting software. An electronic copy of any contracts and invoices shall be included with the vendor's record in the software, and with the invoice.

**Approval- Task Responsibility: Principal and Executive Director**

The Principal and Executive Director shall review the invoice, reimbursements, and or payments for appropriateness and approval, through the accounting software. Approval must only be given for actual vendor invoices; vendor “statements” or similar cannot be used for approval and payment.

**Payment- Task Responsibility: Finance (Check Signers)**

The CFO/DOO shall generate a check for all approved invoices, with record of the check number made in the accounting software. The check signer will review the approved invoice, verify amounts, and sign the check.

**Reconciliation- Task Responsibility: CFO/DOO**

The CFO/DOO shall reconcile all bank statements against checks. This should occur at least monthly. With electronic banking, reconciliation more frequently is desired to maintain accurate financial reports for the board.

**Review- Task Responsibility; Board Treasurer**

The CFO/DOO will prepare monthly financial statements and a reconciliation report and provide it monthly to the CHCS Treasurer, by the 15th of the following month. It is the responsibility of the Treasurer to work with staff to address any errors and omissions and provide a report to the Finance Committee of any material issues that impact the financial health of the school.

**Accounts**

The school shall maintain its accounts in financial institutions that are federally insured. All funds received by the school shall be deposited weekly. All nonproductive funds shall be invested in accordance with the investment policy established by the board.

**Bonding**

Each officer or designated signatory with authority to withdraw funds shall be bonded. The cost associated to secure the coverage shall be that of the school. The amount of insurance coverage will be reviewed annually by the Finance Committee.

## Borrowing of Funds

If it should ever become necessary for the school to borrow funds from outside sources to fund operations and expansion because of the irregularity of income from the System and/or State, donations, or due to major expansions or revisions of the school's programs, such funds are to be borrowed only as required to meet these needs, and borrowing is to be consistent with sound fiscal and management practices. Borrowings are not intended to make up for inadequate planning or spending above budgeted levels.

Borrowing funds should be done within the following guidelines:

1. Borrowing should be within appropriate limits approved by the board prior to the time of borrowing.
2. Amounts should be borrowed at the lowest available interest rates. Where borrowing from individuals can be done at lower than current commercial rates, this may be done.
3. Most borrowing will be done at short-term conditions due to the seasonal nature of income. Long-term borrowing will be done only if rates are favorable and amounts for short-term would be at the same minimum level.

## Loans

No loan may be made to any officer, director, or employee of the school, except in accordance with applicable Georgia law. Any such loan may be made only pursuant to a written agreement approved by the board and reviewed and approved by legal counsel. All such loans to an employee shall be repaid through payroll withholding and shall be callable by the organization upon termination of employment. Staff shall ensure that all such loans are properly reported for employment and income tax purposes.

## Credit Cards

The board has the authority to approve the establishment of a charge account in the school's name, including the credit limit. The CFO/DOO has the responsibility to establish and enforce written procedures for the use of all open charge accounts and credit cards. The Finance Committee will review all credit card procedures on an annual basis. Employees shall follow the expense reimbursement policy whereby employees submit legitimate business expenses charged to their personal credit cards and the school shall reimburse them within 30 days of receipt. The school shall maintain a limited number of credit cards to facilitate business activities and continuity of operations. No credit cards held in the school's name may be used for personal expenses.

## **Violation**

Any violation of the financial control policies shall result in disciplinary action. For the CFO/DOO, Principal and staff, this action is up to and including termination. For Board members, any violation can include their immediate removal.

## **Allowability**

It is the policy of Chattahoochee Hills Charter School to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions shall be allocated between functions whenever possible. Restricted funds shall only be budgeted, and distributions made, for expenses and activities allowed by the grantor. The Principal shall monitor all expenditures to ensure that they do not violate the provisions of any restricted funds.

## **Chart of Accounts and Accounting Standards**

Pursuant to Georgia statutes, the Chattahoochee Hills Charter School follows a modified GAAP-based accounting standard, on an accrual basis. Revenues are recognized when received and expenses are recognized when incurred.

The school's chart of accounts shall be the Georgia Department of Education Chart of Accounts.

The Chattahoochee Hills Charter School uses Net 45 terms unless favorable discounts are available with quicker payment terms (i.e. "1%/10 Net 45"). The fiscal year for the Chattahoochee Hills Charter School ends June 30.

## **Prepayments**

The Chattahoochee Hills Charter School does not generally pre-pay invoices. It is the goal of the CHCS Board, Administration, and Finance Committee that operating funds remain in their most liquid form.

## **Cash and Cash Equivalents**

Cash and cash equivalents (checks, money orders) must be deposited within two business days of receipt. Receipts must be issued for any cash or cash equivalent received by the school. The CFO/DOO is the custodian and must secure the funds in a locked storage. The Board Treasurer shall review all receipts and deposit slips to verify the accounting of all deposited funds.

## Risk Management Policy

The Chattahoochee Hills Charter School is committed to protecting its human, financial, tangible, real estate, and goodwill assets and resources through the practice of effective risk management. The school's board and management are dedicated to safeguarding the safety and dignity of its paid and volunteer staff, its students, and anyone who has contact with the organization. To this end, the board will ensure that the organization has a risk management plan for the organization that is reviewed and updated on an annual basis.

### Asset Protection

The Executive Director, Principal, and CFO/DOO shall adequately protect and maintain from unnecessary risk all school assets. Accordingly, the Principal shall:

- Insure against theft and casualty losses of tangible personal property to at least 80 percent replacement value and against liability losses to board members, staff, or the organization itself at no less than minimally acceptable prudent levels
- Have sufficient employee dishonesty insurance and directors' and officers' liability insurance for personnel with access to material amounts of funds
- Ensure office and equipment is not subjected to improper wear and tear or insufficient maintenance
- Protect the organization, its board, and staff from exposure leading to claims of liability
- Protect intellectual property, information, and files from loss or significant damage
- Seek bids or demonstrate other prudent methods for any purchases over \$2,000 and protect against conflicts of interest
- Receive, process, or disburse funds under financial controls that meet the board-appointed auditor's (or other grant) standards
- Invest or hold operating funds in secure instruments, such as insured checking accounts, CDs, interest-bearing accounts (except when necessary to facilitate ease in operational transactions or where restricted by the funder)
- Acquire, encumber, or dispose of real property only with board approval, with the price set on any property to be disposed of following either a formal market appraisal or analysis of comparable properties by at least two reputable realtors in that market
- Not endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission. Insurance The school will purchase necessary policies to insure the organization against risk. Types of insurance to be purchased should include:
  - Insurance against employee theft and dishonesty
  - Indemnification



- General liability (personal and property damage and punitive damage)
- Commercial (for physical assets)
- Nonprofit Officers' and Directors' Liability (also known as association professional liability)
- Workers' Compensation
- Fidelity bond to cover all personnel handling cash and other financial instruments
- Additional types of insurance needed to protect the organization must be approved by the board.

# **Investments and Reserves Policy**

## **Investments**

It is the policy of the board to treat all assets of the Chattahoochee Hills Charter School, including funds that are legally unrestricted, as if held by the school in a fiduciary capacity for the sake of accomplishing its mission and purposes. These assets are held in a federally-insured financial institution. At this time, no further investment activities are undertaken or authorized by the board.

## **Reserves and Cash Flow**

### **Operating Reserve**

The financial objective of the Chattahoochee Hills Charter School is to establish a financial reserve to provide for 2 months of operating income. The board needs to authorize any disbursements from this fund. The funds for the reserve fund will come from the surplus from operations, or the net operating excess for each fiscal year.

### **Cash Flow Management**

The school's designated financial officer will be responsible for managing the school's cash flow and for communicating anticipated distributions and liquidity requirements in a timely manner to any institutions or investment advisors who are managing investments.

# **Revenue Policy**

## **Revenue Estimation**

Chattahoochee Hills Charter School will estimate its revenue based on the PRIME Report provided by Fulton County Public Schools.

Chattahoochee Hills Charter School will work closely with the Georgia Department of Education and Fulton County School System to estimate state and/or local formula funds expected during the fiscal year. These estimates will include where applicable, funds from Quality Basic Education, nutrition, school nurses, transportation, and any other state funds.

## **Additional Revenue**

Chattahoochee Hills Charter School will seek public and private grants, contracts, and other outside sources of revenues for funding projects where appropriate.