



# FINANCIAL OPERATIONS POLICIES

## **INTRODUCTION**

The Financial Operations Model Board Policy will provide a summary of statutes and regulations that apply to the financial operations of charter schools, as well as specific model board policies designed to comply with these legal requirements.

These are suggested policies to address the requirements from state and federal law and State Board of Education Rules applicable to charter schools in Georgia. Prior to adoption of model policies by a charter school board of a charter school, each policy should be customized by adding the school's name where indicated and by tailoring the language, where appropriate, to fit the specific needs, culture and requirements of the school. GCSA recommends that the Board of a charter school consult with the school's legal counsel in connection with adopting and implementing the policies contained within this manual.

GCSA plans to update the Model Board Policies for Charter Schools on an annual basis to reflect changes in applicable laws and regulations.

### **Scope of Service & Copyright Notice**

This policy module prepared by the GCSA is designed and intended as a resource of information for charter schools and is not to be construed as legal advice. It should be used in connection with consulting and obtaining the advice of the school's legal counsel to ensure compliance with applicable legal requirements.

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## I. Business Plan and Budget Process

### A. Business Plan<sup>1</sup>

Charter school leaders of both start up charter schools and conversion schools have a vision for the school and for the results they wish to obtain. A business plan is the recommended way to merge the goals for the school with the everyday mechanics of running a business—obtaining funding, recruiting students, operating a facility, supervising staff and maintaining the financial health of the organization. The business plan is the first step to outlining the financial goals for the school’s operating board and will shape the budget process for the school. While the business plan should be developed by the founding board and proposed school management, input should be obtained from external stakeholders such as parents, community leaders, and potential staff.

The current charter petition requirements in Georgia already contain several components that are outlined here, and therefore thorough development of the business plan will assist charter school leaders as they develop their petition. Since the business plan is often used as a tool to obtain funding from community and business leaders, it should be created as an organizational document that describes the school’s purpose and operational plan.

The business plan should include the following:

1. Description of the school (mission statement, instructional focus and goals and governance structure). The governance section is particularly important, as it provides information regarding the school’s governing board structure, bylaws, articles of incorporation and whether or not the school will utilize the services of education management organization (“EMO”);
2. Market analysis supporting how the charter school would be fulfilling a need within the community. The charter school must engage in ample research of how the current schools within the system are serving the community, how the charter school intends to recruit students from other schools within the district, how many students must attend the school in order to maintain financial feasibility etc. This section should also include the school’s marketing plan for reaching out to potential students;
3. Management plan summarizing how the school will be managed on a day to day basis. If school management has been identified, this Section should explain each position’s role and responsibilities and a proposed organizational chart. If school management has not yet been identified, the business plan should include a recruiting plan, job

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<sup>1</sup> Adapted from the Charter Friends National Network, as modified by the Georgia Department of Education

descriptions for each position and an estimated time for finalizing the hiring process. The management plan should provide brief descriptions of employment practices such as hiring and firing employees; performance evaluations; salary decisions and staff training.

If the school will be using the services of an EMO, the management plan section of the business plan should define the general terms and conditions of the arrangement and outline the necessary parameters around the roles and responsibilities of the governing board and the EMO. In addition, if the school will be contracting out any other services (accounting, custodial, food services), those contracts should be described in this section.

This section should also begin to address the financial management plan and the plan for hiring a Chief Financial Officer (if one has not already been identified) that has the qualifications required by the local board (where applicable) and by the State Board of Education (which will be described in this policy manual). This section should begin to analyze the sources of funding that will be available to the school (local funding, state funding, federal funding, funds derived from grants, donations or private loans) and develop a plan and a timeline for obtaining those funds.

4. Operations plan describing the day to day operations of the school. This section will discuss what grade levels the school will serve; curriculum and instructional focus; class schedules; transportation to and from school; plans for safety and security etc. This section should also discuss the plans for obtaining a facility, if one has not already been obtained.
5. The financial plan with the annual operating budget, cash flow performance and the cash flow projections for the first year of operation and for a five year period. The budget process is discussed in detail below.

A sample business plan can be found on the Georgia Department of Education's website:

[http://public.doe.k12.ga.us/DMGetDocument.aspx/charter\\_business\\_plan.pdf?p=4BE1EECF99CD364EA5554055463F1FBB77B0B70FECF5942E12E123FE4810FFF5BCC5B826721EFEAB7181D233EC82AE19&Type=D](http://public.doe.k12.ga.us/DMGetDocument.aspx/charter_business_plan.pdf?p=4BE1EECF99CD364EA5554055463F1FBB77B0B70FECF5942E12E123FE4810FFF5BCC5B826721EFEAB7181D233EC82AE19&Type=D)

## B. Budget Process

Charter petitions must include detailed and thorough budget documents within the petition. (“Petition” will be referred to within this document to include new petitions as well as renewal petitions). The goal of a sound budgeting process will result in not only annual budget documents but also written policies and procedures detailing a system of proper internal controls to ensure fiscal responsibility. While state specific requirements of a charter school’s CFO will be detailed later, it is imperative that charter school leaders hire an accountant or other qualified financial professional to develop the school’s business plan and oversee the budget process.

If a local charter school, the charter petition should state whether or not the school will be utilizing the local education agency (“LEA”) for fiscal management; if so, the petition should also include provisions specifying the amount of autonomy the charter school will have with regard to budgets and expenditures. While the exact requirements of a charter school’s annual budget will differ according to the LEA, the state guidelines are addressed here.

### 1. Annual Operating Budget

An operating budget is a dollar amount established as an estimate of expenditures and how they will be financed. While this policy manual is not intended to extensively detail the education funding formula in Georgia, a charter school’s main source of income will be the per-pupil payments it receives from the state and the local district (when appropriate). Since state and local funding is initially determined pursuant to projected enrollment numbers for the charter school, it is important that charter school leaders conduct market research in order to determine reasonably accurate projected enrollment figures. Charter school leaders should analyze how the community’s education demands are currently being met in order to determine potential demand for the school. Charter school leaders are encouraged to talk to other charter school operators in the district in order to determine what their year to year rate growth rate has been and whether or not their projected enrollment figures support the growth rate. Since overestimating student enrollment can have significant budget impacts for the charter school, it is recommended that student enrollment projections err on the conservative side. It is also recommended that charter schools periodically conduct an environmental scan to determine if demographics are changing in the community or in the local schools, since these factors can impact both enrollment projections and programs that impact funding.

It is critical that charter schools follow a chart of accounts, and GCSA recommends charter schools follow the state’s chart of accounts as it develops its budget document and accounting system. The state’s chart of accounts can be found at:

[http://public.doe.k12.ga.us/fbo\\_financial.aspx?PageReq=FBOFinRevCOAB&co detype=1&eid=1&fy=14](http://public.doe.k12.ga.us/fbo_financial.aspx?PageReq=FBOFinRevCOAB&co detype=1&eid=1&fy=14)

The state chart of accounts is organized by function and object numbers. Function numbers are the larger umbrella categories, and object numbers are more specific categories. Creating a budget document that is aligned with the chart of accounts makes creating financial reports and reporting to stakeholders easier and more consistent with public school financial processes in Georgia. It also will support the audit process.

The budget document itself shows revenues by source (e.g., state funding, federal funding, grants, fees, etc.) and expenditure by object (e.g., salaries, benefits, rent, materials, books, services, professional training, utilities, insurance, etc.) for the first year of operations (or current fiscal year for a preexisting school). A resource for schools to use in order to determine startup costs can be found here:

<http://www.charterresource.org/files/TFPCostEstimationTool.pdf>

An example of an annual operating budget worksheet can be found on the Georgia Department of Education's website:

[http://public.doe.k12.ga.us/DMGetDocument.aspx/charter\\_business\\_plan.pdf?p=4BE1EECF99CD364EA5554055463F1FBB77B0B70FECF5942E12E123FE4810FFF5BCC5B826721EFEAB7181D233EC82AE19&Type=D](http://public.doe.k12.ga.us/DMGetDocument.aspx/charter_business_plan.pdf?p=4BE1EECF99CD364EA5554055463F1FBB77B0B70FECF5942E12E123FE4810FFF5BCC5B826721EFEAB7181D233EC82AE19&Type=D)

## 2. Monthly Cash Flow Statements

The cash flow statement will show the cash generated and collected by school operations as well as the school's expenditures. While the cash flow statement is based upon the annual operating budget, it disaggregates the data into monthly columns resulting in either a surplus or a deficit. Cash flow statements are important tools to assist new and operational boards in planning for cash shortfalls and excesses, and thus should be reviewed regularly

The annual operating budget must be adopted by the governing board and may require approval by the charter school's authorizers before the expenditure of funds. The adoption of the budget and any amendments must be recorded in the minutes of the board meeting. It is critical that accurate records of budget adoption and amendments are kept, as these are often reviewed by auditors during the annual audit process. Appendix A is a sample board resolution evidencing the formal adoption of a specific board policy and can be used for all policies within this manual.

Appendix B contains a sample board item for schools to use to document formal board adoption of the budget.

## II. System of Fiscal Controls

Charter schools have the flexibility to exercise autonomy over budgets and expenditures, and must have the proper procedures in place to ensure that the Board is complying with its fiscal responsibilities.

### A. Chief Financial Officer Selection

Pursuant to the Georgia Department of Education's Guidance to Accompany Board Rule 160-4-9-.04, the individual chosen to serve as the charter school's Chief Financial Officer must possess a baccalaureate or higher degree in business, accounting or finance from an accredited college or university and a minimum of four years experience in a field related to business or finance OR have documented experience of ten or more years in the field of business and financial management.

Charter schools are required to provide evidence of the Chief Financial Officer's qualifications within the charter petition. The selection of a well-qualified Chief Financial Officer is a crucial decision for the charter school.

### B. Bank Accounts and Procedures

The charter school's board should designate a bank (or insured Federal savings and loan association) to be used for deposits, checking accounts and Other banking needs. The bank should be FDIC insured or otherwise fully Collateralized. It is a recommended practice for charter schools to issue a request for proposal for banking services in order to select the school's Financial institution. Once selected, the board should adopt a resolution designating the financial institution as the charter school's bank prior to engaging in financial transactions. A sample resolution is included as Appendix D.

### C. System of Internal Controls

The development of a system of internal controls is of utmost importance to the school's financial stability. Internal controls are necessary in order to protect the school from unauthorized access and use of records and funds. In order to determine what internal controls are necessary, it is a recommended practice for schools to engage in a risk assessment in order to identify areas where a control would minimize a certain risk. Furthermore, it is recommended that the advice of a financial professional experienced in auditing procedures and processes be consulted with to best establish a system of internal controls.

The following are examples of when risk might be introduced into the organization:

- Changes in the unit's operating environment
- new personnel
- New or revised information systems
- Rapid growth
- New departments or activities



- Restructuring or reorganization resulting in staff reductions, changes in supervisor, or segregation of duties.

Once the areas of potential exposure are identified, governing boards must determine if a policy is the best method to minimize the risk, or whether a control or some other system of checks and balances is appropriate, or both. While there are certainly no absolutes, a governing board will minimize its risks when there are strong policies in place and the board closely monitors whether or not those policies are implemented properly by administration or designated staff. Any deviations from standard practice or policy should be documented immediately, and the policy itself should be re-examined to determine if updating or changing the policy is necessary.

The following list is not exhaustive but should assist in an analysis of what internal controls and policies are necessary to ensure reliability in the school's financial practices. Samples of the policies are attached.

1. A board policy should be developed designating the individual(s) on the board with the authority to open and close bank accounts, make deposits and withdrawals and conduct other banking transactions. This policy should also address staff turnover and how transfer of vital financial information will be handled (i.e. passwords and account information). This information should be included in the board's bylaws, but is important enough to warrant a separate policy as well.

The sample policy is in Appendix C of this manual. While the use of credit cards is discussed in the sample policy, GCSA recommends avoiding the use of credit cards whenever possible. Therefore, Appendix C includes some important limitations for boards to consider regarding this practice.

2. A board policy should be in place detailing management of cash handling, since this is one of the most common areas for fraud and misuse. This policy should also include procedures for mail management and incoming checks, reconciliation of bank statements, and withdrawal procedures. The sample policy is in Appendix E of this manual.
3. A policy detailing the school's accounting system and how it will be maintained. This policy should detail the controls in place for accounts payable and receivable, processing purchase orders and checks etc. The sample policy is in Appendix F of this manual.
4. A policy prohibiting transactions that would present a conflict of interest and an annual questionnaire for board members to use to disclose any possible conflicts of interest. The sample policy is in Appendix H and Appendix I of this manual.

5. A policy detailing payroll and benefit disbursements to staff. The sample policy is in Appendix J of this manual.

#### Audit and Annual Report Preparation

In accordance with O.C.G.A. 20-2-2065 (b) (7), charter schools must have an annual financial audit conducted each fiscal year by an independent Georgia licensed certified public accountant.

The financial reporting format must be in conformity with generally accepted accounting principles. The audited financial statements are to be included in the annual report submitted to the LEA (or Commission or State Board of Education), the State Board of Education and parents of students attending the school. Appendix G to this manual contains a sample policy addressing the audit and financial statements.

- II. Schools that constitute their own LEA (Commission Charter Schools and State Chartered Special Schools) do not have the access to utilize the financial systems that are in place in a LEA and therefore have the additional responsibility of ensuring that the policies and procedures are in place to set up all necessary financial systems. In addition to the policies and procedures contained in this manual, these schools will also want to consult the Georgia Department of Education's Financial Management for Georgia Local Units of Administration which can be found on the Georgia Department of Education's website at:  
[http://public.doe.k12.ga.us/pea\\_infosys\\_data.aspx?PageReq=PEAISDFinMan](http://public.doe.k12.ga.us/pea_infosys_data.aspx?PageReq=PEAISDFinMan).

Below is a general description of the fiscal responsibilities and reporting requirements for Commission Charter Schools and State Chartered Special Schools, and the applicable sample policies can be found in Appendices A, B, C, D, F, F, G, H, I, and J of this policy manual. Appendices K, L, and M are some additional policies containing requirements which apply to LEAs, which Commission and State Chartered Special Schools may want to consider adopting after consultation with their Chief Financial Officer or other financial professional.

1. Establishing a modified accrual accounting system (recognizes expenditures during the period in which the liability is incurred);
2. Utilizing the chart of accounts with the numbering system used by the Georgia Department of Education ([www.gadoe.org/fbo\\_financial.aspx](http://www.gadoe.org/fbo_financial.aspx));
3. Establishing internal financial controls (segregation of duties, authorization and processing of disbursements);
4. Establishing a payroll system to ensure timely payments to

- Personnel and compliance with IRS tax regulations and OMB Circulars (<http://www.whitehouse.gov/omb/circularsdefault>;
5. Set up a MyGaDOE account and report data in a timely manner to the Commission or State Board of Education in accordance with Georgia Department of Education requirements: ([http://public.doe.k12.ga.us/pea\\_infosys\\_data.aspx](http://public.doe.k12.ga.us/pea_infosys_data.aspx));
  6. Maintain financial reports such as balance sheets, statement of income and expenditures compared to the budget, income statement, statement of cash flows;
  7. Prepare annual financial and budget reports in the format contained in the Georgia LUA Chart of Accounts;
  8. Arrange for an annual audit by a Georgia licensed auditor and submit the report to the Georgia Department of Education by October 1 of each year.

**APPENDIX A**

**BOARD RESOLUTION ADOPTING POLICY**

WHEREAS, on (insert date) the board of Kennesaw Charter Science and Math Academy (“Board”) met at a publicly called meeting held in accordance with the Board’s bylaws; and

WHEREAS, in accordance with the Board’s bylaws, a quorum was present during the meeting held on (insert date); and

WHEREAS, on (insert date) the Board voted to adopt the policy titled “ ” (insert title), a copy of which is attached hereto and incorporated herein by reference.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF Kennesaw Charter Science and Math Academy that the policy “ ” (insert title) is hereby adopted as a Board policy of the Kennesaw Charter Science and Math Academy.

THIS RESOLUTION IS HEREBY ADOPTED THIS DAY OF (insert month), 20 .

\_\_\_\_\_  
Board Chair

## **APPENDIX B**

### **ANNUAL OPERATING BUDGET POLICY**

The Board of Kennesaw Charter Science and Math Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

#### **SECTION 1. Budget Process**

**SECTION 1.1.** The Principal will ensure that Kennesaw Charter Science and Math Academy follows a budgeting process that is consistent with the requirements of federal and Georgia statutes, State Board of Education Rules and Regulations and any other applicable laws or rules.

**SECTION 1.2.** The Principal and Business/Office Manager are responsible for the preparation of the annual budget.

**SECTION 1.3. Needs Analysis.** Each year before the annual operating budget is drafted the Principal shall ensure that a needs assessment of Kennesaw Charter Science and Math Academy, is drafted and finalized by a budget committee consisting of the CFO, the school's executive director and other individuals as designated by the board. The needs assessment shall inform the drafting of the annual budget.

**SECTION 1.4. Adoption.** The Board shall formally adopt the budget in an open meeting held in accordance with the Board's bylaws before the fiscal year begins and before the expenditure of any funds.

**SECTION 1.5. Minutes.** The Secretary of the Board will record the adoption of the budget and any amendments in the Board meeting minutes in which the adoption occurs.

**SECTION 1.6. Post-Adoption.** After the adoption of the budget the Principal and the Board shall review actual fund disbursements compared to the adopted budget and make amendments as needed. This shall occur soon after actual student enrollment is determined.

#### **SECTION 2. Fiscal Compliance**

The business/office manager shall ensure that Kennesaw Charter Science and Math Academy complies with all state and federal laws and rules concerning the budget and related processes of the school.

**APPENDIX C**  
**BANK PROCEDURES POLICY**

The Board of Kennesaw Charter Science and Math Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

**SECTION 1. Bank Accounts**

**SECTION 1.1.** The Chair and Vice Chair of KCSMA has the authority to open a business checking account and a business operating account on behalf of KCSMA to be used to hold the school's assets.

**SECTION 1.2** The Chair and Vice Chair has the authority to enter into an agreement with a bank or other Federally insured financial institution once the Board has adopted a formal resolution at a board meeting held in accordance with its bylaws designating the bank for the school to use for its financial transactions. Once the resolution has been adopted, the Chair and Vice Chair has the authority to enter into an agreement with the selected financial institution. This agreement should be signed by the Chair and Vice Chair.

**SECTION 2. Checks**

**SECTION 2.1.** Any authorized check drafted on the school's designated bank account shall require two signers from the Board or the Administrative Staff. The following officers are authorized to sign checks from the bank account on behalf of the school: Chair, Vice Chair, Principal, Vice Principal, Administrative Assistant, Enrollment Director, and Guidance Director.

Each check must be completed in its entirety before it is signed by either party.

**SECTION 2.2. Checks Received.** Checks received shall be endorsed "for deposit only" and deposits should be made weekly or when they total \$1000.00 or more. Checks may also be deposited electronically through the Banks's Web site.

**SECTION 2.3. Check Requests.** Services or products rendered, reimbursement requests with original receipts, or mileage reimbursements may receive payment with a check. A check request form must be completed by the requestor and approved with a signature by the Principal or Vice Principal. The check request form shall contain the name of the payee, the date the check is requested to be written, the amount of the check, a brief description for the issuance of the check, and the funding source that will be drawn from. The check request shall then be submitted to Accounting and will be attached to the copy of the check and filed.

**SECTIONS 2.4** Checks payable to cash are prohibited.

### SECTION 3. Mail Procedures

SECTION 3.1. A non-accounting staff person should receive the mail, open it and list all checks on a daily collection report or in a pre-numbered receipt book. This report or receipt should identify the date, name of organization or person submitting payment, amount of payment and description of what the payment is for.

SECTION 3.2. An accounting staff member should receive the checks and daily collection report or receipt book from the person opening the mail.

### SECTION 4. Bank Reconciliations

SECTION 4.1 There will be segregation of duties between individuals responsible for cash receipts and cash disbursement and the individual(s) responsible for bank reconciliations.

SECTION 4.2 Business/Accounting Manager or their designee is responsible for bank reconciliations a minimum of once monthly. Bank statements should be delivered to Business/Accounting Manager unopened. Each bank statement, assets, and liabilities shall be reconciled to both the checkbook and the general ledger.

### SECTION 5. CREDIT CARD PROCEDURES

It is the policy of KCSMA that credit card use shall be limited and only the following employees or board members are authorized to use credit cards: Chair, Vice Chair, Principal, Vice Principal, and Administrative Assistant.

KCSMA will not use debit cards, and credit cards shall only be used by the following employees, Principal, Vice Principal, and Administrative Assistant, for school business expenditures only. It may not be used for personal purchases and/or cash transactions and shall be maintained by the highest level of security.

Employees issued a credit card must receive prior, documented approval from the Principal or designee before the use of the credit card. Each credit card transaction by any user must be accompanied by the original receipts documenting each transaction.

### SECTION 6. TRANSFER OF INFORMATION

If the individual serving as the Principal, Vice Principal, Administrative Assistant, Business/Accounting Manager, Board Chair, and Vice Chair ends his or her term with the Board/employment with the school or is terminated by the school or otherwise removed from his or her duties, he or she shall immediately give the school

management all necessary passwords and other related information. The school will change the passwords and other security information once the individual serving as the Principal, Vice Principal, Administrative Assistant, Business/Accounting Manager, Board Chair, and Vice Chair ends his or her employment with the school.

**APPENDIX D**  
RESOLUTION DESIGNATING FINANCIAL INSTITUTION

WHEREAS, on \_\_\_\_\_, \_\_\_\_\_ (insert date), Kennesaw Charter Science and Math Academy issued a request for proposals for a financial institution; and

WHEREAS, \_\_\_\_\_ proposals were received from interested financial institutions; and

WHEREAS, the Board of Kennesaw Charter Science and Math Academy reviewed and evaluated all proposals and determined that \_\_\_\_\_ (insert name of bank) submitted a proposal that was most suited to the school's financial needs.

NOW THEREFORE, BE IT RESOLVED BY the Board of Kennesaw Charter Science and Math Academy that it will enter into agreements with \_\_\_\_\_ (insert name of bank) for banking services including (enter name of accounts-checking etc.).

THIS RESOLUTION IS HEREBY ADOPTED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ (insert month), 20\_\_\_\_.

\_\_\_\_\_  
Board Chair



## **APPENDIX E**

### **CASH MANAGEMENT POLICY**

The Board of Kennesaw Charter Science and Math Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

#### **SECTION 1. Accounting for Cash Transactions**

**SECTION 1.1. Documentation.** All cash transactions shall be recorded in writing, such as by handwritten receipt detailing from whom the money and in what amount, which shall be signed and dated by the Nutrition Director and BASP Director or his or her designee who has the authority to receive cash on behalf of school. Nutrition Director and BASP Director shall enter all payments into Accounting Program.

**SECTION 1.2. Depositing Cash.** The Business/Accounting Manager or their designee shall be responsible for depositing cash in the school's bank account. The Business/Accounting Manager or their designee will only be responsible for depositing the cash into the bank account, and will be segregated from the duty of receiving the cash on behalf of the school. Deposits shall be made weekly at a minimum. All undeposited cash shall be kept in a secured location on school premises with limited access. A copy of the validated deposit slip shall be returned to the school on same day the deposit is made or the next day after the deposit is made.

**SECTION 1.3. Expenditures.** All expenditures of school funds, including cash expenditures, shall be documented and accounted for by daily receipts. As a general rule, cash will not be used to make purchases except from petty cash, as described below. School checks shall not be made payable to "Cash".

**SECTION 1.4 Segregation of Duties.** The Principal of Kennesaw Charter Science and Math Academy shall ensure that appropriate segregation of duties exists with regard to the handling of all money transactions including reconciliation.

**SECTION 1.5 Petty Cash.** Petty cash shall be maintained in a locked box in the safe of the Principal's office in an amount not to exceed \$300 . All disbursements from petty cash shall be documented in writing, indicating the date, amount disbursed, the identity of the individual receiving the funds, and the reason for the disbursement. Receipts from purchases made with petty cash shall be remitted to the Business/Accounting Manager's office as soon as practicable. Petty cash funds shall not be used to cash checks.

## **APPENDIX F**

### **SCHOOL ACCOUNTING SYSTEM POLICY**

The Board of Kennesaw Charter Science and Math Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

#### **SECTION 1. Fiscal Year**

KCSMA adopts a fiscal year that begins on July 1st and ends June 30<sup>th</sup> of the following year.

#### **SECTION 2. Financial Accounting**

KCSMA fully complies with generally accepted accounting principles (GAAP) and any other applicable state and federal standards for financial management systems.

**SECTION 2.1 Accounting records.** The school shall maintain records that adequately identify the source and application of funds. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

**SECTION 2.2 Internal controls.** The school shall maintain effective control and accountability of all state and local funds, federal grant and sub-grant cash, real and personal property, and other assets obtained with local, state or federal funds. The school shall adequately safeguard all such property and assure that it is used solely for authorized purposes.

**SECTION 2.3 Source documentation.** Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

**SECTION 2.4 Budget control.** The school shall compare actual expenditures or outlays of state or federal funds with budget amounts for each fund, grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. Applicable federal cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

#### **SECTION 2.5 Account Code Structure**

All charter schools must use the account code structure as described in the Georgia Department of Education's Chart of Accounts.

## **APPENDIX G**

### **POLICY REGARDING AUDIT AND FINANCIAL STATEMENTS**

The Board of Kennesaw Charter Science and Math Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

#### **SECTION 1. Annual Audit.**

**SECTION 1.1. Annual Audit.** Annually, the Principal shall ensure the engagement of a certified public accountant (CPA) to audit the financial and programmatic operations of Kennesaw Charter Science and Math Academy. The Board shall select and contract only with Georgia licensed CPAs. [Commission or State Special Chartered Schools would use the Department of Audits] The Board shall ensure that the school provides timely assistance to the auditors in order to provide them with the necessary information for the audit.

#### **SECTION 1.2. Board Action**

Once the Board of Kennesaw Charter Science and Math Academy receives the final report, it must vote to accept the contents of the audit at either its next regularly called meeting or at a special meeting called in accordance with the Board's bylaws.

**SECTION 1.3. Submission to Authorizers.** The Board shall ensure that a copy of the annual audit report is timely filed with the LEA (or State Board/Commission). The audit report should include a certificate signed by the Chair of the Board that the Board voted to accept the contents of the audit. If the Board did not accept the contents of the audit report, that should be noted with the submission.

**SECTION 2. Annual Financial Statement.** The business/office manager shall prepare, or cause to be prepared, an annual financial statement for each fund subject to the authority of the Board during the fiscal year showing:

- a. the total receipts of the fund, itemized by source of revenue, including taxes, assessments, service charges, grants of state money, gifts, or other general sources from which funds are derived;
- b. the total disbursements of the fund, itemized by the nature of the expenditure; and
- c. the balance in the fund at the close of the fiscal year.

**SECTION 2.1** The Board shall ensure that the annual financial statement is submitted to all authorizers in a timely manner pursuant to deadlines.

**APPENDIX H**  
**CONFLICT OF INTEREST POLICY**

The Board of KCSMA adopts the following policy which shall be effective on the date that the policy is adopted by the Board

**SECTION 1. Definitions**

- (a) "Board Members" means individuals serving on the governing board of directors of KCSMA;
- (b) "Board Chair" means the individual serving on KCSMA's governing board who has been appointed to serve as the chair; and
- (c) "Key Personnel" means individuals serving in a management capacity

**SECTION 2. Policy Statement**

Board Members must demonstrate unconflicted loyalty to the interests of Kennesaw Charter Science and Math Academy. All Board Members and Key Personnel shall conduct their personal business and private affairs to avoid any potential or actual conflict of interest between themselves and KCSMA, and shall take immediate and appropriate action to resolve any conflict of interest which actually arises. All Board Members and Key Personnel shall report to the Board Chair any facts or circumstances which they know, or should know, have resulted or will result in a potential or actual conflict of interest on the Annual Conflict of Interest Questionnaire. The Board Chair shall have ultimate and final responsibility for determining whether a potential or actual conflict of interest exists and for enforcement of this Policy.

**C. Avoiding Potential or Actual Conflicts**

In order to avoid situations which potentially, or in fact, give rise to a conflict of interest, Board Members and Key Personnel shall not engage in any of the following activities, except as authorized by a prior, written resolution of the Kennesaw Charter Science and Math Academy's Board Directors following full disclosure by the affected

Board Member or Key Personnel:

- 1) No Board Member or Key Personnel or member of his/her family shall accept, except on behalf of KCSMA, any money or valuable thing because of any purchase, sale, investment or loan made by or for the KCSMA, nor shall any person have any pecuniary interest in any such purchase, sale, investment or loan.
- 2) No Board Member or Key Personnel or member of his/her family shall obtain any loan from the KCSMA nor, without the consent of the Board Member, hold or acquire a financial interest in any enterprise which is in competition with the KCSMA or which to the knowledge of the individual has any business relationship with the KCSMA as a vendor, or which to the knowledge of the individual

has any outstanding loan from the KCSMA or is negotiating any such loan.

- 3) No Board Member or Key Personnel or member of his/her family shall accept gifts, gratuities, favors or services of any kind from any person, firm or corporation doing business or seeking to do business with the KCSMA, under circumstances in which it might be inferred that the donor's purpose was to influence the individual in the performance of his/her duties.

However, a gift may be accepted under the following circumstances:

- (a) The gift has no more than a token value; and
  - (b) It is in the normal exchange of hospitality or a customary gesture of courtesy between persons doing business together.
- 4) No Board Member or Key Personnel or any member of his/her family, shall divulge to others confidential KCSMA information, or use such information for personal profit.
  - 5) No Board Member or Key Personnel or any member of his/her family shall accept or maintain any position with any other business which position would conflict or might reasonably conflict with the individual's performance of KCSMA duties or responsibilities, without full disclosure thereof to the Board Members.
  - 6) Board Members must not use their positions to obtain employment or special considerations at KCSMA, or agencies with whom KCSMA has formal contracts, for themselves, family members or close associates. If a Board Member desires employment at KCSMA, he or she must first resign from his or her duties as a Board Member.
  - 7) There will be no self-dealing or any conduct of private business or personal services between any Board Member and KCSMA. The Board may resolve to allow for business arrangements which meet established procedures for openness, competitive opportunity and equal access to inside information.
  - 8) No Board Member or Key Personnel or any member of his/her family shall engage in any other activity or take any other action not enumerated herein where the interests of the Board Member or Key Personnel may compete or conflict with the interests of KCSMA.

#### D. Conflict of Interest Annual Questionnaire

Each Board Member and Key Personnel, as applicable, shall submit a fully executed copy of the Annual Conflict of Interest Questionnaire to the Board Chair or his or her

designee within thirty (30) days of receipt. The Board Chair will note receipt of the Questionnaires in the minutes of the board meeting, and will take whatever action he or she deems appropriate to resolve such potential or actual conflicts of interest as disclosed on the Questionnaire.

E. Effective Date.

This policy shall become effective upon its adoption to all Board Members and Key Personnel. All new Board Members and Key Personnel shall complete the Questionnaire upon assumption of their responsibilities.

F. Confidentiality

Any information disclosed in the Questionnaire shall be confidential and used only for purposes of enforcing this Policy.

**APPENDIX I**

**CONFLICTS OF INTEREST QUESTIONNAIRE**

This questionnaire has been prepared in accordance with KCSMA's Policy Statement on Conflicts of Interest, and is to be completed by KCSMA's Board Members and any Key Personnel of KCSMA as deemed necessary.

It is expected that when a potential for, or an actual conflict of interest exists, the affected individual will disclose it immediately to the board chair and refrain from participating, discussing and/or voting on that issue.

Please read the statements below and check your appropriate response, including explanations, where applicable. Please date, sign and return to the form to the board chair, or his or her designee, within thirty (30) days of receipt.

I have examined my personal situation as directed in the Statement of Policy on Conflicts of Interest and find that I have:

No area of potential or actual conflicts of interest.

No area of potential or actual conflicts of interest except as follows:

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Signed:

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(Print or type title)

Date:

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## **APPENDIX J**

### **PAYROLL POLICY**

The Board of KCSMA adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Accurate & Timely Payroll. The Business/Accounting Manager shall ensure that school employees are paid accurately and timely in accordance with applicable laws and rules.

SECTION 1.2. School employees shall be paid:

- a. In United States currency;
- b. By a written instrument (e.g. check) issued by the employer that is negotiable on demand at full face value for United State currency; or
- c. By the electronic transfer of funds to the employee's bank pursuant to a direct deposit agreement signed by the employee.

SECTION 2. Paydays.

- a. Exempt Employees. The paydays for exempt employees shall be Bi-Weekly.
- b. Non-exempt Employees. The paydays for non-exempt employees shall be on Bi-Weekly.

SECTION 3. Withholding of Wages. The Principal and Business/Accounting Manager shall ensure that the wages of school employees are not withheld except in the following situations as permitted by applicable laws and rules.

- a. The school is ordered to do so by a court of competent jurisdiction;
- b. The is authorized to do so by state or federal law; or
- c. The school has written authorization from the employee to deduct part of the wages for a lawful purpose.

SECTION 4. Teachers Retirement System. Unless otherwise allowable by law, all teachers at KCSMA shall be members of the Georgia Teachers Retirement System and subject to its requirements. The Business/Accounting Manager will ensure that the school complies with all requirements of the Georgia Teachers Retirement System, including making any required contributions.



## **POLICIES FOR SCHOOLS THAT ARE THEIR OWN LEA**

### **APPENDIX K**

#### **FEDERAL FISCAL COMPLIANCE POLICY**

The governing body ("Board") of KCSMA adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

#### **SECTION 1. Fiscal Requirements under Title I, Title II and Title IV of NCLB**

**SECTION 1.1. Supplement not Supplant.** KCSMA shall ensure that federal funds will be used to supplement, not supplant regular non-federal funds.

**SECTION 1.2. Documentation.** Documentation shall be maintained, or caused to be maintained, by the Business/Accounting Manager. The documentation must clearly demonstrate the supplementary nature of federal funds.

**SECTION 2. Federal Grant Allowable Expenditures.** Prior to expending funds, the Principal and Business/Accounting Manager shall consult the appropriate OMB Circular or other federal guidance to determine what costs are allowable. The Principal and Business/Accounting Manager shall ensure that all grant funds are expended in accordance with the Circular or other applicable federal law or rule.

**SECTION 3. Employee Time Sheet.** If an employee's compensation is funded by any grant, the Business/Accounting Manager shall ensure that the employee maintains a time sheet on which he or she records the time spent during the work day along with a description of the service he or she performed during that time. The time sheets must contain the signatures of the employee and a school official.

#### **SECTION 4. Charter Schools Program (CSP), NCLB Title V, Part B**

**SECTION 4.1. Compliance.** If KCSMA receives CSP grants, the Principal and Accounting Manager shall ensure that KCSMA shall comply and use the federal funds in accordance with all statutes, regulations, and approved applications.

**SECTION 4.2. Fiscal Control.** The Principal and Accounting Manager shall directly administer or supervise the administration of any projects funding through CSP funds, and shall use fiscal control and fund accounting procedures that ensure proper disbursement of, and accounting for, federal funds.

**SECTION 4.3. Procurement.** When using CSP funds to enter into a contract for equipment or services Principal and Accounting Manager shall comply with the applicable federal procurement standards.

## SECTION 5. Use of Federal Grant Funds for Procurement

SECTION 5.1. Open and Free Competition. The Business Manager shall ensure that all procurement transactions are conducted in a manner that provides open and free competition. Awards must be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to KCSMA considering price, quality, and other relevant factors deemed appropriate by KCSMA.

SECTION 5.2. Conflicts of Interest. Pursuant to the Conflict of Interest Board Policy, no employee, officer, or agent of, who has a real or apparent conflict of interest, will participate in the selection, award, or administration of a contract supported by federal funds. Employees, officers, and agents may also not solicit or accept favors, gratuities, or anything of monetary value from contractors or their agents.

### SECTION 5.3.

- a. The solicitation of bids or offers must provide a clear and accurate description of the requirements to be fulfilled by the bidder, technical requirements to be performed including the minimum acceptable standards and specific features of brand name or equal descriptions that bidders are required to meet;
- b. Positive efforts shall be made to utilize small businesses, minority-owned firms, and women's business enterprises whenever possible;
- c. The type of procurement instruments used (e.g. purchase orders) must be appropriate for the particular procurement;
- d. Contracts are made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement;
- f. Procurement documents shall be made available, upon request, to appropriate government officials.

SECTION 5.4. Record Documentation. The business/office manager shall ensure there is a cost or price analysis made and documented with every procurement action as well as appropriate documentation for the basis for contractor selection. The business/office manager shall also ensure the evaluation of the contractor performance and document whether the contractor has met the terms, conditions, and specifications of the contract.

**APPENDIX L**  
**POLICY REGARDING CAPITAL ASSETS ACCOUNTING**

The Board of KCSMA adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

Section 1.1. Definition of Capital Asset. A capital asset is an asset that is tangible in nature; has a life that exceeds one year; of significant value (\$5,000 per unit or a lower amount designated by the board of directors); and reasonably identified and controlled through a physical inventory system. Examples include: land, buildings, machinery, and furniture.

SECTION 1.2. Documentation. The Business/Accounting Manager shall ensure that KCSMA maintains accurate records of capital assets in accordance with applicable rules.

SECTION 1.3. Inventory. The Business/Accounting Manager will ensure that a physical inventory of capital assets takes place once every two years.

SECTION 1.4. Annual Audit. The annual financial audit required by O.C.G.A. 20-2-2065 (b)(7), shall include an exhibit in the audit report identifying all capital assets and the ownership interest of local, state, and federal parties.

**APPENDIX M**  
**POLICY STATEMENT REGARDING INVESTMENT OF STATE FUNDS**

The Board of KCSMA adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Investment Policy. The Board and Principal shall ensure that any investment of state funds is done in accordance with applicable state law and rules, including the Financial Manual for Local Units of Administration. The investment of state funds shall be made with judgment and care and not for speculation, but for investment, considering the probable safety of capital and the probable derived income.

SECTION 1.1. Investment of state funds shall be governed by the following objectives, in order of priority (1) preservation and safety of principal; (2) Liquidity; and (3) Yield.

SECTION 2. Investment Management Firm and/or Officer

The Board may determine that it is necessary to contract with an investment management firm that is registered under the appropriate governmental entities to provide for the investment and management of the funds. Such a contract shall not exceed two years.

SECTION 3. Discrete Maintenance of Records.

The Board and Principal shall ensure that all investments will be maintained in a discrete, charter investment account, separate from any other of accounts.

SECTION 4. Investments.

The following investments have received approval by the  
for the one year period from                      to

- 1.
- 2.
- 3.
- 4.
- 5.