

# Connecting Waters Charter Schools

## Fiscal Policies & Procedure Manual

July 2021

# Table of Contents

- 1. Cash/Checks Handling Policy**
- 2. Purchasing Policy**
- 3. Budgeting and Cash Flow Management**
- 4. Travel and Expense Reimbursement**
- 5. Fixed Assets**
- 6. Debt Management**
- 7. Banking**
- 8. Intra-Corporate Loans**
- 9. Generally Accepted Standards of Fiscal Management**

# 1. Cash/checks Handling Policy

## **Board Policy**

In the course of normal school business, many activities (fundraising, group education activities, etc.) involve the receipt of cash and checks, to be deposited in the school's bank account upon receipt. All cash and checks must be deposited within seven (7) days— cash received from a fundraising event may not be retained outside of the school's bank account to hold for future fundraising projects. For example, since the school receives cash and checks from a variety of sources for a wide range of activities, extra care must be taken at all stages of the deposit process to ensure accurate records and proper accounting controls are maintained. The specific procedures outlined below are to be kept updated and current.

## **Current Procedure**

### **Persons responsible for handling cash/checks**

In order to maintain proper accounting controls, the Executive Director shall designate a CWCS on-site staff member (the "Cash Coordinator") to coordinate all transactions involving the deposit of cash/checks. The Cash Coordinator will be responsible for ensuring proper documentation is in place verifying the source, amount, and itemization of amounts received, preparing and making bank deposits, and placing all items to be deposited in safekeeping prior to deposit.

### **Procedure for receiving cash/checks**

- a. **From Volunteer Events:** For each fundraising event in which cash or checks will be collected, two Volunteer Coordinators will be designated, who will be responsible for collecting, counting and holding all cash and checks for the purpose of the fundraising activity. The Volunteer Coordinators may be staff members but are not required to be so. A Volunteer Coordinator shall maintain a written record of each donation at the time the donation is made. Both Volunteer Coordinators must individually count and verify cash/checks received at fundraising events. At the end of the collection process both counters are to sign and date the record of cash and checks collected. The cash, checks and written record are then to be placed into a tamper proof plastic or locking envelope or container for transit. A Volunteer Coordinator will provide a receipt for all cash donations to the donor showing the date, amount, and nature of the donation, and for checks if requested by the donor.

After the event, or at least once weekly for on-going events, a Volunteer Coordinator shall use the written record maintained at the time of receipt to prepare a Deposit Summary, totaling the checks and cash. Copies of all checks must be attached. The total of the checks and cash listed in the Deposit Summary must match up with the written record of donations discussed in the above paragraph.

A Volunteer Coordinator will then give the deposit packet (including all cash, checks, and the Deposit Summary) to the Cash Coordinator no later than close of business on the next available business day, and both parties must verify and agree on the amounts shown in the

deposit packet while in each other's presence, placing their signature on the Deposit Summary form. The Cash Coordinator then holds the funds in safekeeping until a bank deposit can be made, but in no case longer than seven (7) days.

After deposit and within 24 business hours, a copy of the bank deposit receipt, copies of all deposited checks, along with a copy of the Deposit Summary, and notations indicating the nature of the deposit amount, shall be faxed or sent by email to DMS, with the original kept in the school office. Additional copies may be provided to authorized individuals responsible for tracking volunteer activities, as approved by the Executive Director.

- b. **From Mail Received Or Cash/Checks Dropped Off At Office:** For any cash or checks received in the mail, the Cash Coordinator shall prepare a Deposit Summary and bank deposit receipt itemizing the amount, source, and purpose of each payment, with a designated school office staff member acting as verifier and second signatory on the Deposit Summary. If multiple items are received at the same time for the same purpose, they may be summarized in a single deposit packet as long as each payment is itemized as described above. The document packet should then be held in the school office lockbox or safe until it can be deposited. For cash/checks dropped off at the school office front desk by hand, the employee receiving the amount shall place the cash/checks in a deposit envelope, together with a note or form summarizing the name of the person dropping off the cash/check, the purpose and amount of the deposit, and seal and sign the deposit envelope. An office staff member must then immediately place the envelope in the office lockbox, where it will be processed along with the next batch of received mail as described above.

#### **Procedure for storing cash/checks**

All cash and checks must be kept in the office lockbox or safe for safekeeping when not under the immediate supervision of the Cash Coordinator. The office lockbox should be used for this purpose. Cash and checks may not under any circumstances be left in the school office or volunteer area unattended. Although the frequency of deposits must be balanced with other school needs, all efforts should be made to ensure quick turnaround and deposit of checks and cash received by the school office.

## 2. Purchasing Policy

### **Board Policy:**

**Purchasing:** All school purchases must be pre-approved. The primary person responsible for approving all purchases shall be the Executive Director, who may designate additional individuals as purchasing approvers as needed. The Executive Director shall, at a minimum, designate one individual to approve purchases if the Executive Director is not available. For purchases exceeding \$100,000 the Board of Directors (“Board”) approval is also required, as outlined in the specific procedures below. Recurring expenses such as monthly rent, copier lease payments, recurring office supplies, or other periodic payments for which overall approval has already been granted do not require individual approval.

**Invoicing & Receipts:** All purchases must be accompanied by an invoice or receipt, depending upon the nature of the item and the purchase method. For payments made using a credit/debit card, a receipt shall be obtained and/or printed at the time of purchase. Checks may never be made out to “Cash” or “Bearer” unless accompanied by a signed statement by the Executive Director indicating no other reasonable method was available for payment of the good/service, and the memo of the check clearly indicates exactly what was being purchased.

**Checkbook, Debit Cards or Credit Cards:** Any school checkbook, debit card or credit card should be kept under locked supervision in the Cash Coordinator’s desk/office or in the Executive Director’s possession. Any checkbook, debit card or credit card is to remain on school property unless expressly required for a particular purchase (e.g. trip to Office Depot, CCSA Conference) by the Executive Director or designee. Any debit card or credit card must bear the names of both the School and Executive Director. If a debit card or credit card is issued to another administrator these same rules shall apply.

### **Procedure for Approving Purchases**

- a. Any desired purchase must be approved by the Executive Director or designee, as evidenced by:
  1. Purchase Requisition approved online through MIP; OR
  2. Purchase Requisition approved online through OPS; OR
  3. Other written evidence of approval.
- b. Documented evidence of authorized approval must be obtained prior to purchase – reimbursements will not be acceptable unless specifically exempted by the Executive Director or the Board from this reimbursement policy.
- c. For purchases under \$100,000 only approval of the Executive Director is necessary. The Executive Director may seek Board approval for unusual purchases of any dollar amount at their discretion.
- d. For purchases of \$100,000 and above, Board approval is required prior to purchase.
- e. Once the Executive Director or designee has approved the purchase, the CWCS purchasing staff shall a) create a Purchase Order in OPS or MIP and deliver the signed Purchase Order to the vendor, Or b) in situations where OPS/MIP is infeasible (airplane tickets, etc.) purchase the item directly, in either case using the most efficient and cost-effective manner,

utilizing competitive bid procedures where required by law or otherwise deemed appropriate and in the best interests of the school.

- f. If the item is purchased directly by the Executive Director, a receipt must be obtained at the time of purchase and provided to DMS as set forth in “Travel and Expense Reimbursement Policy” below.
- g. Regularly recurring expenditures exceeding \$100,000 (rent, etc.) require only initial Board approval – item must be identified as a recurring expenditure to the Board. Such recurring expenditures are otherwise exempt from the Board and Executive Director pre-approval and Purchase Requisition requirements
- h. A Warrant Report will be included in each month’s Board meeting packet as a consent agenda item, listing all non-payroll warrants paid in the prior calendar month.

### **Invoicing & Receipt Procedure**

CWCS Staff deliver copies of all original receipts to DMS as part of the ongoing AP batch processing, retaining the original at the school office as backup documentation. For businesses or individuals seeking payment, an invoice must be provided prior to payment. Upon payment of invoices, a copy of the signed warrant paying the invoice shall be attached to the invoice prior to filing. These invoices shall be available online through DMS on its DMS SHARE password-protected website.

### **Procedure for Contracts And Agreements**

All contracts or agreements, including those for ongoing services, shall be negotiated by the Executive Director or designee to obtain such services in the most efficient and cost-effective manner and in the best interests of the school. In certain cases, DMS shall act as agent of the Executive Director in negotiating administrative agreements such as insurance policies, subject to the Executive Director’s final approval. All such agreements must clearly define the scope of services to be performed, and the price for such services. A file shall be maintained by the DMS staff containing all documentation related to the reason for the contract/agreement as well as any research showing that the purchase is in the best interests of the School, including but not limited to any alternate bids received for the good/service. CWCS will comply with bidding requirements whenever required by law or the source of the funds. Any such agreements in excess of \$100,000, once negotiated, must be approved by the Board prior to commencement of the contract to ensure they are in the best interest of the School and reflect reasonable market values. The Board may also recommend changes or revisions pending final approval. Any modifications or changes to existing contracts/agreements shall be made only in writing.

### **Procedure for Handling Invoices And Vendor Requests**

- a. All invoices received on-site should be delivered to DMS upon receipt, and CWCS should inform the vendors that the School’s billing address is DMS. However, the school can determine if a vendor’s invoice is to be sent to the school’s main office or Business Services billing contact. Copies of all invoices will be sent to DMS at least once per week (“the weekly packet batch”). All invoices received during each week should be delivered via email or fax or uploaded to the DMS shared drive each Friday at a minimum, using a transfer method acceptable to both CWCS and DMS.
- b. If the invoice is for a smaller item and/or an immediate payment necessary for school function (building repair, locks, etc), the Executive Director or designee may authorize

on-site payment and pay for such item immediately via check from the School's petty cash or main account. However, use of purchase orders and payment via invoice should be utilized whenever possible to ensure an accurate paper trail.

- c. DMS shall be responsible for tracking all accounts payable and preparing warrants for payment.
- d. DMS shall process all invoices for payment prior to the vendor due date, paying all invoices via warrant generated by DMS.
- e. DMS shall be responsible for invoice matching in OPS, ensuring that the accurate final invoice total is charged against each student account.
- f. CWCS is responsible for ensuring receipt of all ordered items in OPS, so that DMS invoicing matching and payment can occur by the due date. Invoice matching and payment cannot occur until the item is shown as received in OPS, unless overridden by the Executive Director or designee.

### **Receipt of Ordered Goods Procedure**

All ordered goods should be shipped to the school office main address or resource center(s) address, even during times of school closure during vacations and holidays, unless explicit instruction is provided by the Executive Director or designee that an alternate address should be used. If goods are expected to be received during periods when school is closed, a staff member shall be directed to contact the appropriate shipping provider and instruct them to re-deliver the goods when school is again open. Staff members shall not receive ordered goods during school closures unless arrangements are approved by the Executive Director so that the below receiving procedure is adhered to even during school closure.

Student materials ordered in OPS are shipped directly to the ESs address.

When ordered goods are received by the school office or resource center(s), the CWCS staff must enter the items as received in OPS to allow for invoice matching and payment when the vendor invoice is received by DMS. If any discrepancy exists between the packing slip and the goods as delivered, only the items received should be marked in OPS as received. When invoices are received and sent to DMS, DMS will only pay for the portion of the order shown as "received" in the MIP system, unless specifically directed otherwise by the Executive Director or designee.

## 3. Budgeting and Cash Flow Management

### Board Policy

**Budgets:** Education Code section 47604.33 requires charter schools to prepare a series of annual budget reports to be submitted to the chartering authority and the county superintendent of schools of the county in which their sponsoring district is located.

Cash flow management involves tracking actual and projected revenues, expenditures, and cash receipts and disbursements to ensure that sufficient cash is available to meet all financial needs when due, and that sufficient available reserves are maintained as a contingency in the event of unforeseen financial setbacks.

The School shall provide the following budget reports to its authorizer by the following dates:

1. On or before July 1, a preliminary budget.
2. On or before July 1, an annual update required pursuant to Section 47606.5
3. On or before December 15, a first interim financial report reflecting changes through October 31.
4. On or before March 15, a second interim financial report reflecting changes through January 31.
5. On or before September 15, a final unaudited report for the full prior year.

**Ending Balance:** At each June 30, CWCS's goal is to maintain an unrestricted ending balance at or above 5.00% 10% of total expenditures during the fiscal year just ending.

**Running Cash Balance:** CWCS' goal is to maintain a running cash balance in excess of the most recent three month's total payroll, including benefits and deductions.

### Current Procedure

#### **Budget Structure**

CWCS' annual budget includes a Statement of Activities that shows projected revenues, expenditures, and changes in fund balance for the fiscal year beginning July 1 and ending June 30 of the following year. The overall budget contains balanced sub-budgets by resource for state categoricals, special education, and other restricted monies in addition to the unrestricted general account. The budget is based on the Statement of Activities but includes notations of balance sheet activities such as asset acquisitions and debt repayment that affect the school's operations.

All annual budgets, including initial, interim and monthly updates, shall include a multi-year projection for the current year and following two fiscal years, as well as a corresponding monthly cash flow statement that shows year-to-date and projected revenues and expenditures as well as other transactions affecting cash, plus a beginning and ending cash balance, broken out monthly.



## Annual Budget

In March of each year, the school will begin preparing the draft annual budget under the direction and supervision of the executive Director, using all available data including monthly actual revenues and expenditures to date as well as planned adjustment for the coming year.

Prior to June 1 of each year, the Board will hold a special Budget Planning meeting specifically for budget review and planning, in which the draft budget, prepared by the Executive Director in conjunction with DMS, is presented to the Board and each area of the budget is discussed in depth by the staff and members of the Board.

Alternatively, the Board may instead designate members of a Finance Committee that will hold a separate Budget Planning meeting in place of a meeting of the entire Board. In the case of a separate Finance Committee meeting, the results of this meeting will be presented to the Board at their next regular or special Board meeting.

The Executive Director (with the assistance of DMS) then revises and adjust the draft budget as directed by the Board and/or the Committee to create the Final Operating Budget for the coming fiscal year. Additional Budget Planning meetings may be scheduled if necessary, to discuss any further revisions prior to finalizing the budget.

Prior to July 1 of each year, the final budget will be presented to the Board for final approval. Once approved, the final budget will be submitted to the school's sponsoring entity by July 1 as required under the Education Code.

## Interim Budgets

On or before December 15 and March 15, the Executive Director will develop and present an updated interim annual budget to the Board for approval at a regular or special Board meeting. The interim budget shall reflect adjustments or revisions to the original budget made in response to changing financial conditions or needs of the school. The Board may elect to hold one or more Budget Planning meetings or name a Finance Committee to hold such Budget Planning meetings, if deemed necessary prior to approval of each interim budget. Once approved, the First and Second Interim Budgets will be submitted to the school's sponsoring entity by December 15 and March 15, respectively, as required by law.

## Monthly Updates

Each month beginning in October, at either the regularly scheduled or a special meeting of the Board, DMS will provide to the Board a monthly update of year-to-date revenues and expenditures, including a comparison of budgeted vs. actual amounts and a brief explanation of significant deviations from the original budget. The Board is not required to approve these monthly updates, which are informational items only – however, the Board must approve any additions, revisions, or modifications to the Annual or Interim Budgets deems necessary, under a separate agenda item at the same or a subsequent meeting, to allow the school to adapt to changing financial conditions. Any such board-approved changes to the Original or Interim budgets will be used as the current operating budget by school staff from that point forward.

## 4. Travel Policy

### Board Policy

The School recognizes that employees may be required to travel or incur other expenses from time to time. The purpose of this Policy is to ensure that (a) adequate cost controls are in place, (b) travel and other expenditures are appropriate, and (c) to provide a uniform and consistent approach for the timely reimbursement of authorized expenses incurred by Personnel. Our policy is to reimburse only reasonable and necessary expenses actually incurred by Personnel.

### Current Procedure

When incurring business expenses, the school expects Personnel to:

1. Exercise discretion and good business judgment with respect to those expenses.
2. Be cost-conscious and spend money as carefully and judiciously as the individual would spend his or her own funds.
3. Report expenses, supported by required documentation, as they were spent.

### Initial Approval

For both single trips and ongoing travel costs, written approval (which may be in the form of an e-mail) must be given by the Executive Director prior to travel costs being incurred, and a printed copy of the written approval should be provided along with the Expense Report at the time reimbursement is requested (see below). The travel approval should contain a brief description of the travel being approved, including dates, destination, and purpose for the trip. Repeat trips may be approved in a single approval (for example, approving a weekly trip).

Cost caps for various travel costs are listed later in this Policy. For reimbursement to be provided in excess of these cost caps, explicit pre-approval to exceed caps must be included in the approval document provided by the Executive Director. Without prior written explicit approval, no reimbursement for costs in excess of the cost caps will be provided after the fact.

### Expense Reimbursement Form

1. Expenses will not be reimbursed unless the individual requesting reimbursement submits a written Expense Reimbursement Form to the Executive Director.
2. The Expense Reimbursement Form, which shall be submitted within two weeks of the completion of travel if travel expense reimbursement is requested, must include:
3. The individual's name, the date, destination and purpose of the trip (should match information on the approval document)
4. An itemized list of all expenses for which reimbursement is requested. If item cost exceeds cap, explicit authorization on the approval document to exceed caps.

## **Receipts**

Receipts are required for all expenditures, whether billed directly to the school, paid with a school credit card, or paid by the employee for later reimbursement. No expense will be reimbursed to Personnel unless the individual requesting reimbursement submits with the Expense Reimbursement Form **original** receipts from each vendor showing the vendor's name, a description of the services provided, the date, and the total expenses, including tips (if applicable). A credit card printout showing only the total purchase cost and date is insufficient, except in the case of receipts such as parking garages, tolls, or other single charges that do not provide itemized receipts.

## **Organization Credit Cards**

If a corporate credit card is issued to personnel for travel (and other) organization-related expenses, copies of all receipts must be retained for audit purposes, although an Expense Reimbursement Form need not be filed if no reimbursement is requested. The monthly credit card statement is not an acceptable substitute for individual receipts. No charges may be made for non-business expenses under any circumstances even if immediately reimbursed. Failure to meet these requirements will result in loss of the credit card.

## **Necessity of Travel**

In determining the reasonableness and necessity of travel expenses, the employee and supervisor shall consider the ways in which the school will benefit from the travel and weigh those benefits against the anticipated costs of the travel. Less expensive alternatives, such as participation by telephone or video conferencing, or the availability of local programs or training opportunities, shall be considered. However, cost is not the sole consideration – a reasonable balance should be struck between cost and convenience, with the final goal being the best combination of cost and benefit.

## **Air Travel**

Air travel reservations should be made as far in advance as possible in order to take advantage of reduced fares. Economy or Premium Economy should be selected in all cases unless explicit authorization, including reason, is provided for Business/First class. Personnel may choose to upgrade school-paid fares to a higher class if paid directly by the staff member (upgrade charge cannot be on a school card or charged to the school and later reimbursed). Airline lounge passes may not be paid or reimbursed by the School.

## **Lodging**

Personnel traveling on behalf of the school may be reimbursed at the single room rate for the reasonable cost of hotel accommodations at a 2-3 star "budget business" hotel such as Embassy Suites, Comfort Inn, Fairfield Inn, Days Inn, Hampton Inn, etc. Convenience, the cost of staying in the city in which the hotel is located, safety and proximity to other venues on the individual's itinerary shall be considered in determining reasonableness. Hotels that do not clearly meet the above criteria should be pre-approved in writing when requesting overall approval for the trip. Personnel shall make use of available corporate and discount rates for hotels. Personnel may choose to upgrade school- paid room charges, add incidental charges, or otherwise increase the cost of stay only if paid directly by the staff member (upgrade charge cannot be on a school card or charged to the school and later reimbursed). Room service, minibar snacks, valet, or other charges are only reimbursable by the school if other options are unavailable (for example, late check-in after the restaurant has closed but 24-hour room service or minibar snacks are available, no self-parking,

**Connecting Waters Charter Schools Fiscal Policies & Procedures Manual**

**Updated July 27, 2021**

etc.) and reason for the incidental charge should be written on the Expense Reimbursement Form. Internet charges are reimbursable if business use of the Internet is required. In-room movies and spa/gym/pool charges are not reimbursable. Latitude shall be given when reviewing hotel incidentals if a reasonable business case can be made for the charge in question. However, repeated events of charging questionable incidentals may lead to revocation of any future hotel incidental charges.

### **Out-Of-Town Meals**

Personnel traveling on behalf of the school are reimbursed on a per meal basis not to exceed the following rates when they incur the cost of a meal. They will not be reimbursed for meals paid for or provided by others.

Breakfast:	\$ 15.00
Lunch:	\$ 15.00
Dinner:	\$ 31.00

Meal costs in excess of the above will not be reimbursed unless explicitly pre-authorized in advance. If traveling to an expensive city or area, Personnel are advised to see pre-approval of higher caps when obtaining overall trip approval.

### **Ground Transportation**

Employees are expected to use the most economical ground transportation appropriate under the circumstances and should generally use the following, in this order of desirability:

Courtesy Shuttles. Many hotels have courtesy shuttles, which will take you to and from the airport at no charge. Employees should take advantage of this free service whenever possible.

Taxis or commercial ride-sharing. When courtesy cars and airport shuttles are not available, a taxi or commercial ride-sharing is often the next most economical and convenient form of transportation when the trip is for a limited time and minimal mileage is involved.

Rental Cars. Employees will be allowed to rent a car while out of town provided that the total cost is estimated to be less than the total cost of alternative methods of transportation. Gas charges to refill the car are reimbursable.

### **Personal Cars**

Personnel are compensated for use of their personal cars when used for business travel. When individuals use their personal car for such travel, including travel to and from the airport, mileage will be allowed at the currently approved IRS rate per mile.

In the case of individuals using their personal cars to take a trip over 250 miles that could be made more cheaply by air, mileage will be allowed at the currently approved rate; however, the total mileage reimbursement will not exceed the sum of the lowest available round trip coach airfare.

## **Parking/Tolls**

Parking and toll expenses, including charges for hotel parking, incurred by Personnel traveling on organization business will be reimbursed. The costs of parking tickets, fines, car washes, parking tickets, etc., are the responsibility of the employee and will not be reimbursed. On-airport parking is permitted for short business trips. For extended trips, Personnel should use off-airport facilities.

## **Lavish/Excessive Expenditures**

The school discourages expenses in any category that could be perceived as lavish or excessive, as such expenses are inappropriate for reimbursement by a charter school. This includes situations in which these options may be less expensive, as charter schools face considerable scrutiny on the nature as well as the cost of business-related expenses. Personnel must be aware that as a public charter school, business travel is funded by taxpayer money and is expected to be functional but not extravagant. Some examples of excessive spending include (the following is not a comprehensive list):

1. Limousine/town car service;
2. Beach resort accommodation;
3. Sporting/golf events;
4. Music events/festivals/concerts;
5. 4-star and above hotels (unless clear reasons can be shown as to why other options were unavailable);
6. Excessive meal charges.

## 5. Fixed Assets

### **Board Policy**

In order to properly track all capitalized and non-capitalized assets, an inventory must be maintained for all items with a value of \$5,000 or more. This Inventory Record shall include the asset description, location, and ID tag/serial number, and for items exceeding \$5,000, shall reference the corresponding entry in the Fixed Asset Register for capitalized assets (see below). All inventoried items shall be tagged with a unique identification tag. A textbook inventory of all textbooks shall also be maintained. The textbook inventory may be kept separate from the overall inventory.

### **Current Procedure**

#### **Fixed Asset Register**

Assets with a single value of \$5,000 or more per year (or a collection of items such as a computer lab or set of similar furniture that has a system value of over \$5,000) and a useful life of more than one year are considered “fixed assets,” meaning they are included as assets on the school’s balance sheet (rather than as expenses such as books and supplies) and the cost of these assets is spread out over the useful life of the asset. This process is called “capitalization,” and involves including the value of the asset on the school’s balance sheet at acquisition and charging a portion of the item’s value as “depreciation” each year over its useful life. To properly account for capitalized assets, a Fixed Asset Register must be maintained for all capitalized assets, and shall include asset description, acquisition date, cost basis, depreciation expense, accumulated depreciation and useful life. DMS is responsible for maintaining the fixed asset register.

#### **Procedure for Recording Inventory and Fixed Assets**

When any item is acquired with a cost basis of \$5,000 or more, an entry shall be made in the Inventory Record showing asset description, location, and ID tag/serial number, and a numbered identification tag shall be affixed to the item.

When the item (or group of items) that is purchased has a useful life of one year or more and has a cost of \$5,000 or more (or is part of a system or collection that has a collective cost of \$5,000 or more), the item should be entered into the Inventory Record as described in the above paragraph, and three additional steps must also be taken:

- a. A notation is made in the Inventory Record that this item is a fixed asset;
- b. DMS is informed that a specific purchase meets the qualifications of a fixed asset;
- c. DMS makes an entry is made in the Fixed Asset Register reflecting the acquisition.

#### **Annual Inventory**

At the end of each fiscal year upon a date determined by the Executive Director, a comprehensive physical inventory shall be conducted of all inventoried assets of \$5,000 or more (including all fixed assets), reconciling the Inventory Record, the Fixed Asset Register, and the information in the general ledger to match the results of the physical inventory.

## 6. Debt Management Policy

### **Board Policy**

The purpose of this policy is to enhance CWCS' ability to manage its debt in a fiscally conservative and prudent manner. The effects of decisions regarding types of borrowing, covenants and terms, interest rates, and payment structure directly impact the school's continuing operation. The school has thus established this Debt Management Policy to provide goals and guidelines for the School's borrowings.

### **The School's Debt Management Policy is as follows:**

1. The Executive Director is responsible for administering and maintaining the School's current obligations under direction of the Board. DMS will meet with the Executive Director and Board, as appropriate, regarding the status of the School's existing debt and to make specific recommendations.
2. No new debt shall be incurred without approval of the Board.
3. All approved annual budgets shall include timely repayment of all outstanding debt or include a reasonable repayment plan for such debt if timely repayment is not possible.
4. Prior to incurring any new borrowing, DMS shall prepare a financial analysis showing the effect of the borrowing on current and future operations. The School may not borrow if a reasonable financial analysis cannot show timely repayment of all obligations including the planned borrowing.
5. The School will seek financing options that are at the lowest interest cost and in the best interests of the School.
6. The School will take all practical precautions and proactive measures to avoid borrowing decisions that can negatively impact current or future operations.
7. The School will determine the term, rates, and covenants that will best fit within the overall existing debt structure at the time any new debt is incurred.
8. The School will explore, assess risk, and implement innovative structuring ideas when they are consistent with the above goals.
9. A loan or advance receipt of funds for Connecting Waters Charter School, East Bay or Connecting Waters, Central Valley must also comply with the following requirements:
  - a) CWCS shall establish a fiscal plan for repayment in advance of receipt of such loans.
  - b) CWCS shall provide advance written notice to the County Board and ACOE or Modesto City Schools specifying its intent to apply for a loan. Advance notice shall include a description of the need for the loan, its terms, and the plan for repayment, including a cash flow schedule.
  - c) If a loan is received, CWCS shall, at the time of deposit of any sums which are loans to CWCS for CWCSEB or CWCSCV, provide ACOE or Modesto City Schools with the loan documents, Board meeting minutes at which such loan was approved, plan for repayment and updated cash flow schedule.

**Current Procedure**

N/A – Policy Only



## 7. Banking

### **Board Policy**

All bank accounts shall be established in the name of the School with prior Board approval of the initial authorized signers. Annually with respect to all existing bank accounts, the Board shall review and approve all authorized signers and approve the continuing need for each account.

All loans or similar agreements shall be negotiated by the Executive Director to obtain such services in the most efficient and cost-effective manner, using the same procedures as described in “**3. Purchasing Policy**” above. All such agreements must clearly define all terms under which the School will be obligated and the price for such services.

### **Current Procedure**

#### **Reconciliations**

All bank statements will be reconciled monthly by DMS, who does not participate in cash handling.

## 8. Intra-Corporate Loans

### **Board Policy**

CWCS may temporarily loan state apportionment funds between schools that it operates so long as a loan does not adversely affect the public-school purposes of the charter school that loans the funds. The lending charter school must have surplus funds. The details of the loan must be documented in a loan agreement, including the repayment terms and interest rate of the loan. The CWCS Board of Directors must approve of the loan agreement in advance and such approval must be documented in the Board meeting minutes.

A loan or advance receipt of funds for Connecting Waters Charter School, East Bay or Connecting Waters, Central Valley must also comply with the following requirements:

- a) CWCS shall establish a fiscal plan for repayment in advance of receipt of such loans.
- b) CWCS shall provide advance written notice to the County Board and ACOE or Modesto City Schools specifying its intent to obtain a loan for the CWCSEB or CWCSCV. Advance notice shall include a description of the need for the loan, its terms, and the plan for repayment, including a cash flow schedule.
- c) If a loan is received, CWCS shall, at the time of deposit of any sums which are loans to CWCS for CWCSEB or CWCSCV, provide ACOE or Modesto City Schools with the loan documents, Board meeting minutes at which such loan was approved, plan for repayment and updated cash flow schedule.

## 9. Generally Accepted Standards of Fiscal Management

Charter schools are required to meet generally accepted standards of fiscal management. It is now generally accepted that the primary responsibility for the fair presentation of financial statements rests with the reporting management of an organization. Accordingly, a process must be affected by a school's management and other personnel and designed to provide reasonable assurance regarding the achievement and maintenance of the following standards:

1. A fiscal year balanced budget that clearly defines achievable goals as defined in the school's charter and approved by the Board in the form of a budget resolution.
2. Full compliance with Uniform Education Reporting System (UERS) policies and procedures.
3. Accounting records should properly and accurately record and account for all cash equivalent transactions, including actual cash. Accounting information should be relevant, reliable, comparable, and consistent and must be available for the preparation of reliable financial statements.
4. Demonstrated compliance with Federal and state laws/regulations, State Board of Education policies and other compliance requirements.
5. Maintenance of documentation that outlines internal controls on business practices and operation.
6. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on public funds.
7. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
8. Required independent audits are performed and submitted when due in a timely manner as prescribed by the California Department of Education.
10. The School should have documentation that supports its financial statements and that reflect its financial position/condition, results of operations or changes in net assets and where appropriate, cash flows for any fiscal period/year.
11. Any necessary corrective action plans on any audit findings must be filed in writing and proposed changes must be implemented in the subsequent fiscal year.