

# BUDGET POLICIES

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FISCAL POLICIES

A. Budget Development and Oversight Calendar and Responsibilities

The Tree of Life International Charter School will develop and monitor its budget in accord with the annual budget development and monitoring calendar as specified below.

***January – February***

- The Finance Committee of the Board works with Director to review Governor's proposed state budget for the upcoming fiscal year, and identify the likely range of revenues for the school's upcoming fiscal year (July 1-June 30). [*Board Treasurer, Director*]
- The Director reviews/prepares a set of proposed budget development principles for board review and approval. [*Board Treasurer, Director, Board of Directors*]
- Develop rough planning budget for upcoming fiscal year, including projected enrollment and any proposed staffing changes. [*Director in conjunction with Board Finance Committee*]
- Develop five-year budget projection in accord with the school's established strategic and growth plans. [Director in conjunction with Board Finance Committee]
- Ongoing monitoring and revision of current year budget. [*Board Treasurer, Finance Committee, and Director*]

***March – April***

- By March 15, The Director, working in conjunction with staff, Board members, and Treasurer, prepares a Second Interim budget plan with a 3-year Multi-year Projection. The plan is reviewed by the Finance Committee of the Board.
- Ongoing monitoring and revision of current year budget. [*Board Treasurer, Finance Committee, and Director*]
- The Audit Committee of the Board solicits bids for the annual audit and selects an auditor. [*Audit Committee of the Board acting alone*]

***May – June***

- Director reviews revenue projections subsequent to the Governor’s annual “May Revise” budget figures, fine-tunes the upcoming fiscal year budget to accommodate any changes. This budget will include monthly cash flow projections. The Finance Committee reviews and finalizes the proposed budget for the upcoming fiscal year and forwards to the Board. [*Board Treasurer, Finance Committee, and Director*]
- The Board reviews and formally adopts a budget for upcoming fiscal year before June 15. A copy of the final budget is provided to the charter-granting agency. [*Board*]
- Ongoing monitoring and revision of current year budget. [*Board Treasurer, Finance Committee, and Director*]

### ***July – August***

- Books for prior fiscal year are closed, all transactions are posted, and records assembled for audit. [*Director, Bookkeeper, and Board Treasurer*]
- Budget is reviewed subsequent to the adoption of the state Budget Act and necessary adjustments are made. A copy of the revised final budget is provided to the charter-granting agency. [*Director and Finance Committee*]

### ***September – December***

- At the end of the first full week of school, the Director reviews the Charter School’s actual attendance figures and notifies the Board if actual attendance is below budget projections. If needed, the school’s budget is again revised to match likely revenues. [*Director, Finance Committee, Board*]
- The Audit Committee of the Board reviews a copy of the audit. Director and Finance Committee address any audit exceptions or adverse findings. Audit report and any follow-up plans are submitted to charter-granting agency. [*Audit Committee, Board, Director*]
- The Director reviews current year actual versus budgeted revenues and expenditures after the second and fifth months of the school year and reports to the Finance Committee. The Board approves any needed changes to the annual budget. [*Board Treasurer, Finance Committee, and Director*]
- Ongoing monitoring and revision of current year budget. [*Board Treasurer, Finance Committee, and Director*]

- December: Independent auditor performs audit of the just-closed fiscal year and prepares audit report for submission to the Audit Committee. [*Auditor, Staff as requested by the Auditor, Audit Committee*]

## B. Controls, Budget, and Fiscal Management

The Tree of Life International Charter School will maintain in effect the following principles in its ongoing fiscal management practices to ensure that, (1) expenditures are authorized by and in accord with amounts specified in the board-adopted budget, (2) the school's funds are managed and held in a manner that provides a high degree of protection of the school's assets, and (3) all transactions are recorded and documented in an appropriate manner.

### ***Segregation of Duties***

The Tree of Life International Charter School will develop and maintain simple check request and purchase order forms to document the authorization of all non-payroll expenditures. All proposed expenditures must be approved by the Director who will review the proposed expenditure to determine whether it is consistent with the Board-adopted budget and sign the check request form. All check requests and purchase orders over **\$5000** must be co-signed by the Director and countersigned by one Board member, preferably the Treasurer, to ensure separation of expenditure authorization and check signing functions.

All transactions will be posted in an electronic general ledger. The transactions will be posted on the ledger by someone at the School site or a contracted bookkeeper. To ensure segregation of recording and authorization, the bookkeeper may not co-sign check requests for purchase orders.

### ***Budget Transfers***

The Director may transfer up to \$5,000 from one unrestricted budget item to another without board approval, but shall notify the Board of the transfer at the next regularly scheduled meeting.

### ***Banking Arrangements***

The Tree of Life International Charter School will maintain its accounts either in the County Treasury or at a federally insured commercial bank or credit union. Funds will be deposited in non-speculative accounts including federally-insured savings or checking accounts or invested in non-speculative federally-backed instruments or in the County's Pooled Money Investment Fund. If funds are held in accounts outside of the County Treasury, the Board must appoint and approve all individuals authorized to sign checks or warrants in accord with these policies and all checks over \$500 must be signed by two authorized signatories.

The School's bookkeeper will reconcile the school's ledger(s) with its bank accounts or accounts in the county treasury on a monthly basis and prepare (1) a balance sheet, (2) a comparison of budgeted to actual revenues and expenditures to date, and (3) a cash flow statement as needed.

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Adopted 2/20/2018

The Director and Finance Committee of the Board will regularly review these statements. The School will deposit all funds received as soon as practical upon receipt. A petty cash fund, not to exceed \$100, may be established with an appropriate ledger to be reconciled twice monthly by the school site secretary, who shall not be authorized to expend petty cash.

All funds received shall be deposited or transferred into the school's accounts at the earliest possible convenience and be kept in the school safe until deposited.

### ***Purchasing Procedures***

All purchases over **\$5000** must include documentation of a good faith effort to secure the lowest possible cost for comparable goods or services when products are non-proprietary. The Director shall not approve purchase orders or check requests lacking such documentation.

Documentation shall be maintained showing that at least three vendors were contacted and such documentation shall be maintained for three years. The school will follow Ed Code on formal bidding.

### ***Record Keeping***

Transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documents will be maintained by school staff in a secure location for at least three years, or as long as required by applicable law, whichever is longer. Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, will be regularly prepared and stored in a secure off-site location, separate from the school.

### ***Property Inventory***

The Director shall establish and maintain an inventory of all non-consumable goods and equipment worth over **\$5000**. This inventory shall include the original purchase price and date, a brief description, serial numbers, and other information appropriate for documenting the school's assets. This property will be inventoried on an annual basis and lists of any missing property shall be presented to the Board.

All non-consumable school property lent to students shall be returned to the school no later than 5 working days after end of the school year. This includes library books, instruments or tech devices. Parents must sign a "check-out agreement form" prior to taking items home.

Any excess or surplus property owned by the school may be sold or auctioned by the Director provided the Director engages in due diligence to maximize the value of the sale or auction to the school. The sale or auction of property owned by the school with a fair market value in excess of **\$3,000** shall be approved in advance by the Board.

### ***Payroll Services***

The Tree of Life International Charter School will contract with the County Office of Education via Business Services Provider or a reputable, bonded, and insured payroll contractor to prepare payroll checks, tax and retirement withholdings, tax statements, and to perform other payroll support functions. The Director will establish and oversee a system to prepare time and attendance reports and submit payroll check requests. The Director and Board Treasurer will review payroll statements monthly to ensure that (1) the salaries are consistent with staff contracts and personnel policies and (2) the proper tax, retirement, disability, and other withholdings have been deducted and forwarded to the appropriate authority. All staff expense reimbursements will be on checks separate from payroll checks.

Upon hiring of staff, a personnel file will be established with all appropriate payroll-related documentation including a federal I-9 form, tax withholding forms, retirement date, and an accounting of the use of sick leave.

### ***Attendance Accounting***

The Director will establish and maintain an appropriate attendance accounting system to record the number of days students are actually in attendance at the School and engaged in the activities required of them by the School. The annual audit will review actual attendance accounting records and practices to ensure compliance. The attendance accounting practices will be in conformance with the Charter Schools Act and the applicable California Administrative Code sections defining Charter School Average Daily Attendance. Therefore:

- ADA will be computed by dividing the actual number of days of student attendance by the number of calendar days of instruction by the School.
- The School's instructional calendar will include at least 175 days of instruction to avoid the fiscal penalty for providing fewer than 175 days of instruction as provided by the Administrative Code regulation. The calendar must also document that the school offers an amount of annual minutes of instruction as required pursuant to applicable law.
- Independent study must be pre-arranged by the student's adult guardian and the School and that the adult guardian will be required to complete and submit documentation of engagement in instructional activity to the school on forms

prepared by the school. As applicable, such study shall be in full compliance with law governing independent study.

### ***Annual Financial Audit***

The Board shall annually contract for the services of an independent certified public accountant to perform an annual fiscal audit. The audit shall include, but not be limited to (1) an audit of the accuracy of school's financial statements, (2) an audit of the school's attendance accounting and revenue claims practices, and (3) an audit of the school's internal controls practices. If the school receives over **\$500,000** from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars. The Audit shall be completed, reviewed by the Board, and submitted to the charter-granting agency, the County Office of Education, the Office of the State Controller, and California Department of Education prior to December 15 of each year.

#### C. Negotiating Funding Entitlements

The Director shall prepare a set of negotiating principles for Board approval prior to engaging in negotiations over funding entitlements with the charter granting agency and state. The Director will take lead responsibility for negotiating all revenue arrangements with the charter granting agency and appropriate state education agency staff. These arrangements will be documented in appropriate and detailed Memoranda of Understanding for approval by the Board.

#### D. Required Budget and Other Fiscal Reports

The Director, working in conjunction with the Business Services Provider, will produce and submit to the charter granting agency any and all required fiscal reports as may be required by state or federal law, or mandated by the terms of the school's charter. These include, but are not limited to, attendance reports, enrollment and other data reports required by the California Basic Education Data System, CALPADS, and other related data.

#### E. Property and Liability Insurance

The Director shall ensure that the school retains appropriate property and liability insurance coverage. Property insurance shall be obtained and address business interruption and casualty needs, including flood, fire, earthquake, and other hazards with replacement cost coverage for all assets listed in the school's Property Inventory and consumables. Premises and Board errors and omissions liability insurance shall also be obtained and kept in force at all times on a "claims made" form with a self insured retention of no more than \$50,000 per occurrence and limit of no

less than \$5 million per occurrence. The school's Director and other staff who manage funds shall be placed under a fidelity bond.

F. Board Compensation

Board members shall serve without compensation, but may be reimbursed for actual and necessary expenses. Expenses for travel necessary to attending board meetings and meetings of board committees need not be approved in advance by the board. All other expenses shall be approved in advance by the board. Travel expenses reimbursed shall not exceed levels that would be subject to federal or state income tax. All expenses reimbursed shall be documented by receipts and in no event may reimbursements exceed actual expenses.

G. Authority to Enter Into Contracts and Agreements

Except as otherwise provided in these policies, the Director may enter into contracts and agreements not to exceed \$5000 without Board approval, provided funds sufficient for the contract or agreement are authorized and available within the school's board-adopted budget. Contracts and agreements in excess of \$5000 must be submitted for board approval and may be executed by the Director or other person specifically designated by the Board after the Board has duly approved the contract or agreement.

H. Fundraising, Grant Solicitation, and Donation Recognition

All fundraising or grant solicitation activities on behalf of the school must be approved in advance by the Board. The Board shall be informed of any conditions, restrictions, or compliance requirements associated with the receipt of such funds, including grants or categorical programs sponsored by the state or federal government. The Board shall be notified no later than the next regular board meeting of the award or receipt of any funds and shall approve the receipt of any grants, donations, or receipts of fundraising proceeds prior to their deposit in the school's accounts.

**Adopted by the Tree of Life ICS Board of Directors: February 20, 2018**

Amended: