

## ARTICLE 6. FINANCE

### I. FINANCE MANAGEMENT STANDARDS POLICY PURPOSE

Financial policies are the foundation of sound fiscal administration. The purpose of these policies is to provide guidance that will shape fiscal procedures and management oversight to be followed by all Division staff.

### II. POLICY SCOPE & DELEGATION

These policies apply to all Division programs including Community Schools and government.

To ensure that all procedures are designed and implemented to meet Board policies, comply with generally accepted accounting principles (GAAP) as well as regulatory and organizational requirements, the Education Board delegates the responsibility and authority for the development, implementation and monitoring of fiscal procedures to the Superintendent / Director subject to this and other policies as adopted that relates to Finance. The Superintendent / Director may further delegate authority as the Superintendent / Director deems appropriate and most advantageous to the Education Division.

### III. FINANCE POLICY PHILOSOPHY

A key element to effective fiscal management is the establishment of sound financial policies that preserve the Division's fiscal stability and enhance stakeholder confidence.

Within the framework of efficient and effective internal controls and the design and implementation of financial procedures, is the need for communication of each stakeholder's responsibility and authority. Delegation of responsibility and authority is a vital component of the success of a smooth implementation and operation of internal controls.

While the Education Board adopts policy, Division managements shall establish procedures and direct and guide day-to-day activities to be consistent with adopted policy within the constraints of available resources.

### IV. ACCOUNTING AND REPORTING

#### A. Basis of Accounting

The Basis of Accounting will be designed, implemented and followed in strict accordance to the GAAP standards applicable to governmental agencies as proscribed by the Governmental Accounting Standards Board (GASB) and accounting standards specific to the Charter School as proscribed in Arizona Revised Statutes (A.R.S.) 15-

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183(E)(6); standards specific to P.L. 100-297 Grant Schools as set forth at 25 C.F.R. 276 *et seq.*; 43 C.F.R. 12 *et seq.*; OMB A-87 and A-133; with further directives by grantors as provided under individual grant contract provisions; and by the Salt River Pima-Maricopa Indian Community.

**B. Chart of Accounts**

The Division will maintain a chart of accounts that is consistent with producing financial reports under the requirements of GAAP, Bureau of Indian Education (BIE), Arizona Department of Education (ADE) for Charter Schools, and the United States Office of Management and Budget (OMB). The chart of accounts shall be designed to satisfy the particular needs of management and to assist in meeting external or internal reporting requirements by facilitating the tracking of transactions by both function and program.

**C. Journal Entries**

All journal entries shall be reviewed and approved by an appropriate level of management as defined by the Superintendent/Director.

All Division’s Journal Entries will comply with GAAP and all other Division Financial and Internal Control procedures.

**D. Monthly Closing**

To comply with financial reporting requirements; the Division will perform formal monthly closing of its accounting records, as defined by the Superintendent/Director and/or designee.

**E. Year-End Closing**

To comply with financial reporting requirements, the Division shall establish and maintain an annual timeline of milestone events. The timeline shall be developed to ensure that all necessary financial statements and reports are fully completed, audit field work for both Charter and Grant Schools is completed, and to allow the timely completion and filing of required audits.

The Education Board shall review and approve the annual Financial Statements and any other annual or periodic reporting as required by the funding source.

**F. Management Representation Letter**

Management will provide a Management Representation Letter to the auditor prior to the issuance of the financial statements.

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## **G. Time Reporting**

The Division holds supervisors and employees responsible and accountable for the accurate and timely reporting of employees' time in a documented format suitable for audit purposes. Employees are responsible for accurately reporting their work time (hours, dates, location, etc.), including the accurate submission of leave requests (hours, dates, etc.). All employees are responsible for reporting to their designated work site in accordance to their supervisor's direction. Non-exempt employees are required to use a card swipe to track work time. Exempt employees are required to report during business hours to their designed work site, and in accordance with their supervisor's direction. Employees are responsible for ensuring their supervisor has knowledge of their work time.

Employees will perform only Division work while on Division working-time. Employees are also responsible for ensuring compliance with the Personnel Policy, specifically the Ethics and Discipline sections.

## **H. Approval of Disbursements**

The Education Board will be presented with a report of disbursements for approval / ratification at least monthly.

## **I. Audits**

The books and accounts of the Schools shall be audited by an independent (external) certified public accountant in conformance with generally accepted auditing standards and legal requirements.

The audit material, when completed, shall be presented to the Education Board for examination. The materials would include, but may not be limited to: Financial Statements (Basic or CAFR), Single Audit, Management Letter, Applicable State Questionnaires, and any other regulatory or funding agency audit requirements.

# **V. BUDGETING**

## **A. Periodic Reporting**

To assist program managers in managing programs and monitoring budget projections, the Division will issue periodic budget status reports and meet periodically during the fiscal year to discuss budget status issues, and appropriate corrective action.

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Periodic budget reports will be presented to the Education Board no less than semi-annually and to Community Council as requested by the Community Manager and / or Community Treasurer.

**B. Annual Budget**

The Superintendent / Director is directed to formulate the annual budget, considering at all times that all resources must be utilized to produce the most positive effect on the students’ educational opportunities.

The Superintendent / Director is responsible for reviewing budgetary requests, providing guidelines and limitations, and presenting the proposed budgets and documentation necessary for Board review and action.

Program managers and department heads, along with other Division staff shall with consideration of projected funding amounts, participate in providing data for and developing the annual budget as directed by the Superintendent/Director or designee.

**C. Budget Deadlines and Schedules**

Each school year the Superintendent / Director shall present a budget preparation schedule to accomplish all required budgetary actions for the following fiscal year. This schedule will, at a minimum, provide specific dates for the accomplishment of all Community, federal and state mandated actions.

**D. Budget Approval**

The Education Board will adopt the Division’s budgets at the highest level required by the applicable funding entity (federal, state, Community).

**E. In Excess of Budget**

Any necessary over spending in a major category in excess of the adopted budget for maintenance and operations shall require Board approval. Major categories are defined by the Board with budget adoption, such as: Elementary school, High school, Accelerated Learning Academy, ECEC, and Support and Central shared services.

**F. Budget Hearings (AZ Charter School)**

The Education Board shall prepare a notice, in accordance with applicable state law, disclosing the time and place at which a public hearing and special Board meeting shall be held to present the proposed budget for consideration of the public.

The publishing of the proposed budget and notice of a special meeting shall be in accordance with applicable state law.

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Immediately following the public hearing, the Chair shall call to order the special Board meeting for the purpose of adopting the budget.

The Board shall adopt the budget and enter the budget as adopted in its minutes. Filing of the budget shall be according to applicable state law.

**G. Revenues From Property**

Revenues collected from rental, lease or sale of School-owned property shall be deposited and subsequently expended as allowable under applicable Community, federal, or state law dependant on acquisitioning funding sources' point of origin.

**VI. PROCUREMENT**

**A. Requisitions**

The Division will follow Purchase Requisition processes as adopted by the Salt River Pima-Maricopa Indian Community Council and as directed by the Community Manager. The Division will also follow other specific requisitioning requirements and thresholds as set forth by applicable federal and/or state funding sources.

**B. Budgetary Control**

The Division will follow the Budgetary Control process as adopted by the SRPMIC Council and as directed by the Community Manager.

**C. Purchasing**

The Division will follow Purchasing processes and thresholds as adopted by the Salt River Pima-Maricopa Indian Community Council and as directed the Community Manager. The Division will also follow other specific purchasing requirements and thresholds as set forth by applicable federal and/or state funding sources.

**D. Receiving**

The Division will follow the Receiving process as adopted by the SRPMIC Council and as directed by the Community Manager.

The Division will also follow other specific Receiving requirements as set forth by applicable federal and/or state mandates.

**E. Accounts Payable**

The Division will follow Accounts Payable process as adopted by the SRPMIC Council and as directed by the Community Manager.

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The Division will also follow other specific Accounts Payable requirements as set forth by applicable federal and/or state mandates.

## VII. CASH MANAGEMENT

### A. Bank Accounts

The opening and closing of any bank account shall require authorization from the Education Board. A list of authorized signatures designated by the Education Board for each bank account will be updated as the authorized personnel change. Each bank account shall be only used for its intended and stated purpose.

This includes bank accounts that hold all cash and cash equivalents' for the school's operations and maintenance, as well as, all bank accounts that are solely held in an agency capacity for student organizations and clubs.

### B. Cash Handling

Cash includes currency on hand, such as petty cash, registers, lock boxes and safes and cash receipts not yet deposited; negotiable instruments, such as drafts, checks, warrants, and money orders; and balances on deposit with commercial banks and the Community Treasurer.

Because of the relatively high risk of loss associated with cash transactions, the Superintendent/Director shall establish, implement and monitor effective cash handling procedures to control and safeguard cash and ensure accurate reporting.

### C. Petty Cash

Petty cash is a small amount of cash on hand where disbursements made are only for minor disbursements when a check (or p-card) is not practical or immediate cash payment is required.

All changes in petty cash accounts and amounts shall be authorized by the Education Board, by site. Petty cash is established by the draw from the general fund (site's general resource) on an imprest basis and closed at fiscal year end. Each petty cash custodian shall annually sign and adhere to the Community's petty cash custodian agreement.

Note for Procedure (was an audit issue previously): "Closed" does not mean the account is physically eliminated, but reconciled, idle and combined with general fund cash at the fiscal year ended date.

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**D. Timely Deposits**

All cash collected shall be transmitted, reported and deposited daily with a minimum accumulation of \$500 or at least weekly, whichever is sooner.

**VIII. DEBT MANAGEMENT**

{Reserved for future policy update.}

**IX. RESERVES AND FUND BALANCE**

**A. Reserves and Set-asides**

{Reserved for future policy update}

**B. Fund Balance**

Fund balance shall mean the gross difference between governmental fund assets and liabilities reflected on the balance sheet. Governmental fund assets are those of the General fund, Special revenue funds, Debt service funds, and Capital projects funds. Fund balance classification shall be recorded in accordance with governmental accounting standards as promulgated by the Government Accounting Standards Board (GASB).

The order of spending and availability of the fund balance shall be to reduce funds from the listed area in the following order: restricted, committed, assigned, and unassigned. Negative amounts shall not be reported for restricted, committed, or assigned funds.

The five (5) classifications of fund balance of the governmental type funds are as follows:

- 1) **NON-SPENDABLE Fund Balance:** shall mean the portion of the gross fund balance that is not in spendable form, or required to be maintained intact legally or contractually for a specific use.

Examples of non-spendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include, but not limited to:

- a. Inventories (non-capitalized, such as supplies);
- b. Prepaid items (such as subscriptions and travel advances);
- c. Deferred expenditures;

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- d. Long-term receivables;
- e. Outstanding encumbrances; and
- f. Self-funded reserves programs.

2) **RESTRICTED fund balance:** shall include amounts constrained to a specific purpose by external parties or providers, such as a grantor.

Examples of restricted fund balance include, but not limited to:

- a. Child nutrition programs;
- b. Construction programs (Capital projects funds);
- c. Repayment of debt (Debt service funds);
- d. Federal and State funded programs (Special revenue funds); and
- e. Resources from other agencies.

3) **COMMITTED fund balance:** shall mean that portion of the fund balance that is constrained to a specific purpose set forth by the Education Board.

Examples of Committed fund balance include, but not limited to:

- a. Capital replacement reserves;
- b. Potential litigations, claims and judgments; and
- c. Campus activity funds.

4) **ASSIGNED fund balance:** shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Education Board or delegation to the Superintendent/Director or other designee. In practice, such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time.

Examples of Assigned fund balance include, but not limited to:

- a. Asset financing plans;
- b. Reserve and set-aside programs not in *Committed* fund balance;
- c. Program start-up costs; and
- d. Other designations not categorized in 1-4.

5) **Unassigned fund balance:** shall include amounts available for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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The unassigned fund balance shall be the difference between the total fund balance and the total of the non-spendable fund balance, restricted fund balance, committed fund balance, and assigned fund balance.

## **X. CAPITAL AND CONTROLLABLE ASSESTS**

### **A. Capitalized Asset**

The Division shall follow the capitalization thresholds and useful life estimates, by asset type, as adopted by the Community Council, unless specific funding sources or regulatory entities require a lower threshold. A capitalized asset shall be defined as land, building or equipment with a useful life of more than one year and costs in excess of the established threshold.

The Division will not utilize the “modified approach” for infrastructure reporting without the approval of the Education Board. The Education Board authorizes the Superintendent / Director to determine the asset categories used for the financial statements.

### **B. Non-Capitalized**

Consumable good: an item that may or may not cost greater than the capitalization threshold, but has a useful life of less than one (1) year.

Non-capitalized asset: an item has a useful life of more than one (1) year, but the original cost is less than the capitalization threshold.

### **C. Controllable Assets and Inventories**

Controllable Assets are those that due to their nature, or federal or state guidelines, need to be accounted for. Controllable inventories are generally supplies stocks, such as a warehouse, that due to their nature, or federal or state guidelines, are required to be tracked.

The Superintendent / Director will establish guidelines to identify and categorized controllable assets and procedures to maintain custody of, including but not limited to annual inventories.

### **D. Capital Outlay (Expenditure)**

The Division shall adhere to capital and soft capital classifications as defined by Arizona Department of Education and the State’s Auditor General Office. A capital expenditure is defined as an item that directly appears on the list issued by the State’s Auditor General’s Office. Generally, an item that has a useful life of at least one year; would typically be repaired rather than replaced; and is an “independent unit”; with no cost threshold applied as in a Capitalized Asset.

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Note: A “Capitalized Asset” is a “Capital Expenditure” and a “Controllable Asset”. However, a “Controllable asset” is not always a “Capitalized Asset” or a “Capital Expenditure”; and a “Capital Expenditure” may not be a Capitalized asset.

## **XI. GRANT MANAGEMENT**

### **A. Grant Development and Acquisition**

The Education Board will authorize application and acceptance of grants as may be beneficial to the Division and as required by the granting agency.

### **B. Grant Monitoring**

The Superintendent/Director shall develop operating procedures to assure grant contract program and financial reporting requirements are met.

### **C. Grant Utilization**

The Superintendent/Director shall ensure that grant resources are utilized to the fullest extent possible and before general fund resources are utilized as allowed by the grant contract.

## **XII. INTERNAL CONTROLS**

### **A. The Division will operate under a framework of well-designed efficient and effective internal controls to:**

1. promote the best use of the Division’s resources,
2. assure accurate and reliable data,
3. provide for safeguarding of the Division’s assets and
4. assure compliance with laws and policies.

### **B. Need for Internal Controls**

The need for internal controls is imperative for the organization to adequately conform to GAAP (Generally Accepted Accounting Principles); SAS (Statements of Auditing Standards); 25 C.F.R. 276 et seq.; and, other applicable standards.

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**C. Development of Internal Controls**

To ensure that all “Internal Control” procedures are designed and implemented to comply with industry and governmental control standards and organizational requirements, the Education Board delegates the responsibility and authority for the development, implementation and monitoring of internal controls to the Superintendent/Director subject to this and other Education Board policies as adopted. The Superintendent/Director may further delegate authority as the Superintendent/Director deems appropriate.

**D. Internal Controls Policy Documentation**

The Division will:

1. document its internal control procedures;
2. maintain and update procedures as appropriate; and
3. make procedures readily available to employees as appropriate
4. make literature and training opportunities available to employees to keep them up-to-date with industry standards within their particular area in accordance to available funding.

**E. Operating Procedure Development**

The Division’s Financial Operations Officer will establish, implement and maintain accounting procedures in conformity with GAAP standards applicable to governmental agencies as adopted by the Governmental Accounting Standards Board (GASB) and accounting policies specific to the Charter School as prescribed in Arizona Revised Statutes (A.R.S.) 15-183(E)(6).

**F. Procedure Review**

The Division will establish a standing committee to assess internal control policies and procedures, issue reports as appropriate and recommend changes as necessary.

**G. Continuing Education**

The Division’s Financial Operations Officer will assure continued education for applicable staff through Governmental GAAP media such as:

1. The Governmental GAAP Guide
2. The GFOA Blue Book
3. AICPA Yellow Book
4. Publications from GFOA
5. Publications from GFOAz
6. Publications, manuals and memos issued by ADE

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7. Publications, manuals and memos issued by the State of Arizona Auditor General's Office
8. Publications, manuals and memos issued by the Federal Government regarding OMB A-87, A-133, 25 C.F.R. 276 *et seq.*, and 43 C.F.R. 12 *et seq.*

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