Swallows Charter Academy (SCA)
Financial Controls

Financial Processes and Procedures

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1. Process and Management of Budget

- Summary of Accountabilities:

a) The Board - It is the Board's fiduciary responsibility to provide corporate financial oversight and financial direction (including short-term and long-term fiscal goals and targets) to the Director. The Board approves the annual operating budget and shall oversee the schools financial performance and compliance with legal requirements, operating budgets and financial plans.

b) The Finance Committee – This Board committee reviews monthly financial activities and assists the board in their fiduciary duty of financial oversight. The Finance Committee consists of the Board Treasurer, School Director, Director of School Services and may include additional members, such as external consultants, as determined by the Board Treasurer.

c) The Director - Ultimate staff accountability for executing the financial plans of the organization is vested in the Director. The Director is supported in this task by the Director of School Services, which is directly responsible for ensuring that financial operations are within the boundaries of the board approved budget.

d) Every SCA staff member has an accountability to follow leadership direction and guidelines and to exercise financial prudence and conservatism in every action and decision made on behalf of SCA.

- Budget Control:

Budget - The Board will receive a working draft of the annual budget for the upcoming year by the March board meeting.. The final budget will be presented to the Board for their approval and forwarded to authorizer no later than May 31.

- The Board understands the value of the SCA staff and it directs the Finance Committee to include a STEP increase in each year's initial budget. This does not guarantee that a STEP increase will be in the final budget but it is the Board's goal.

The Board shall only approve budget increases for discretionary expenses, including salaries and benefits, when additional funds are available as a result of one or more of the following circumstances.

- The board elects to utilize funds from the Unreserved Fund Balance that exceed the Minimum Fund Balance as outlined under Section 3 - Management Policies.
- The state legislature has approved an increase to Per Pupil Revenue (PPR) for the fiscal year being budgeted.
    - If the state legislature approves an increase in PPR the board should authorize a compensation increase equal to the percentage of the PPR increase or a single STEP. This increase may, or may not, be included as part of any other additional compensation authorized by the Board, including STEP increases.
- The school's student count for the fiscal year being budgeted has been formally submitted to the state for funding. Any forecast for an increased student count for existing classes SHALL NOT be used for the Board approved budget until formally submitted for funding.
    - If an entirely new class of students is being added, the board may add to the budget for the expected increase in funding, for the added class ONLY, prior to the final state mandated student count.

Any Board approved budget increase shall not exceed the additional funds available as a result of any, or all, of the above circumstances.

a) One and three-year budgets will be created and maintained annually. These budgets will support the school's mission and stated goals. To that end these budgets must:

i. Contain enough detail to enable reasonably accurate projections of revenues and expenses, separation of capital and operational items, cash flow, and subsequent audit trails.

ii. Balance – Expenditures must be planned in a way so that they equal or are less than anticipated sources of funding.

iii. Include information on the number of each category of employee

iv. Include a list of major assumptions so that a reasonable board member or interested member of the public can understand the basis of the budget.

b) Budget Flexibility – In the event, that money is to be moved from one budgeted line item to another the administration has the discretion to make movements of up to $999. A movement of $1000 up to $4,999 can be approved by the Board Treasurer. Any movement over $5,000 will require board approval. Such movement between line items will be noted on the monthly financial statements. These movements cannot increase the school's overall board approved budget.

This flexibility is granted to the Director because the purpose of the budget is to provide an effective management tool that will allow for the successful completion of planned programs and activities within the financial framework established by the Board approved operating budget.

c) Budget Revisions - If a change in circumstances or an unforeseen event causes staff to believe that the current budget has become unrealistic and that it is no longer possible for staff to operate within the boundaries of the budget, staff will give a full report of the circumstances to the Board along with recommendation for a course of action. The Board may approve a revised budget or give the staff other direction. Normal budget revisions will be given to the board for review in October and December for approval in November and January.

- Cost & Commitment Control

  Staff is responsible and accountable for budget compliance.

  The Director has full accountability for delivering the revenue stream projected and maintaining expenses at or below those outlined in the board approved budget.

- Reporting:

  Monthly financial statements will be distributed to the Director, the Finance Committee and the Board. The Director is expected to review the monthly statements in a timely manner. When potential problem areas are detected, it is the Director of School Services responsibility to bring them to the attention of the Director. It is imperative that staff is proactive rather than reactive in managing budget variances.

Financial Report Distribution

Monthly:	Board of Directors Finance Committee Director
Quarterly:	Web Site

Annual Audited Report:	Board of Directors Authorizer

2. Asset Protection Policies

The Director may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Accordingly they may not:

1. Fail to insure against theft and casualty losses and against liability losses to board members, staff or the organization itself to beyond the minimally acceptable prudent level.
2. Subject facilities and equipment to improper wear and tear caused by insufficient maintenance.
3. Unnecessarily expose the organization, its board or staff to claims of liability.
4. Make any purchase wherein normally prudent protection has not been given against conflict of interest.
5. Make any purchase in excess of $10,000 without obtaining a minimum of three (3) bids unless specifically waived by the Board. Exceptions may be granted in the case of required curriculum that is only available through one vendor. Generally, the term of any contractual relationships shall not exceed one (1) year, at which time it may be re-bid.
6. Make any purchase of in excess of $5,000 without Board approval unless it is specifically included in the current budget.
8. SCA is to maintain the following insurance coverage:
    - Commercial Package:
        - Property
        - Crime
        - Business Income
        - Money & Securities
    - General Liability
    - Directors' & Officers' Liability
    - Non-Owned and Hired Automobile
    - Owned Automobile (in the case that the school purchases or otherwise obtains an automobile)
    - Workman's Compensation Insurance

9. Fixed assets will be acquired and disposed of only as necessary, and will be adequately safeguarded and insured to 90% of replacement value. Assets worth more than $5,000 will be properly recorded as depreciable assets. Lower dollar value items that have more than a three year expected life and have a purchase price of over $500 and are easily movable will be marked and numbered as school property.

Each year the Director will ensure that quality coverages are secured at the most favorable premiums available.

3. Management Policies

Contractual Commitments – A Board Representative, the Director and the Director of School Services are the only persons authorized to sign financial contracts on behalf of SCA. The Director and Director of School Services can sign any contract that has been approved by the Board or is within the Board approved budget. This policy includes but is not limited to, corporate contracts as well as contracts for services. SCA's policy is to schedule/make payments after goods and/or services have been successfully received unless the Director of School Services has given his/her approval to 'pre-pay' an

expense. The Director of School Services will review contracts that include scheduled payments before execution to ensure the availability of sufficient cash. The Director of School Services or his/her appointee must be copied with every completed contract.

Board of Directors Meetings/Travel to and from Conferences and or Board Training - Directors will be reimbursed for approved expenses as dictated by the approved budget.

Minimum Fund Balance – SCA will strive to achieve and maintain a minimum fund balance equal to 35 days of operating expenses.

4. Accounting Policies and Procedures

Purchases – All purchases must be pre-approved by the Director of School Services before SCA will be financially obligated.

The Director has delegated the authority to initiate the purchase process.

Accounts Payable – SCA will only pay expenses upon receipt of an invoice (and purchase order and packaging slip when available). SCA will not pay in response to a statement of account. Invoices will be paid when due, and discounts offered for prompt payment will be taken if available. Copies of checks written will be stapled to the supporting documentation.

Check Requests – This form is to be used to initiate a pre-payment or expense reimbursement. Generally, if an employee receives pre-approval to purchase something (via purchase order) and an employee personally paid for the purchase, a copy of the paid invoice should be forwarded to the finance office attached to a check request, referencing the invoice number, so that an expense reimbursement can be processed. The Check Request includes space for the purpose, amount and description of the purchase, and also asks the name of the program/account to which it should be charged; it should be signed by the Director of School Services.

Company Credit Card Receipts – The use of a company charge card is a privilege. Any use of a company charge card for personal charges will not be tolerated. It is the cardholder's responsibility to use safeguards with the card and to turn in receipts to the Business Office as soon as possible. Violations of these requirements may result in the loss of this privilege.

Deposits – When cash and checks are collected a receipt should be given to the person who paid the money. Checks should immediately be endorsed. Cash and checks should be stored in a safe or locked filing cabinet. Deposits must be made weekly.

Month-end Procedures – Financial statements are produced and distributed each month. In order for the reports to be accurate and timely, it is imperative that all personnel recognize the importance of submitting outstanding packaging slips and invoices to the Finance Office upon receipt but no later than the last day of each month.

Returned Checks – SCA will charge $35.00 for each check that is returned by the bank due to insufficient funds.

5. Internal Control

SCA proactively implements internal control procedures in order to:

a) Encourage adherence to prescribed managerial policies
b) Promote operational efficiencies
c) Safeguard business assets from misuse, fraud, and theft
d) Ensure accurate and reliable accounting data

Basic principles considered in the development of SCA system of internal control are:

a) Responsibilities should be clearly established
b) Adequate records should be maintained
c) Assets should be insured and employees bonded
d) Record keeping and custody should be separated
e) Responsibility for related transactions should be divided
f) Employees should be informed
g) The system should be under constant review
h) Appropriate documentation should exist
i) Prescribed policies and procedures should be consistently applied
j) Employees should maintain confidentiality of information

Operating Controls - Some specific controls that have been implemented are: a segregation of duties in regard to cash disbursements, bank statements, and signing authority; locked cabinets for payroll, personnel records and monies to be deposited; checks are stamped for deposit upon receipt; and a line of authority have been established for all check requests.

Internal controls are regularly reviewed by the Director, Finance Committee as well as by independent auditors during financial audits.

Per Diem – Per Diem may be approved for staff meal expenses for out-of-town trips on behalf of SCA. Per Diem for all trips within the state of Colorado will be based on the current per diem rates established for Colorado state employees. Per Diem for out-of-state trips will be based on the prevailing GSA rates. Per diem will not be paid when meals are paid for by other parties, such as vendors. All trips requiring per diem payments must be approved in advance. The Director or Director of School Services will approve all requests. The request can be approved as long as the expense is in the budget. All other requests will follow the policy outlined under Budget Control, Section C.

Mileage Reimbursement- SCA will reimburse employees for the use of their personal vehicle used for School business at the existing IRS approved rate. Reimbursement will be at the effective date and rate published by the Internal Revenue Service. Mileage reimbursement is meant to cover only those miles incurred above and beyond the employee's normal commute to his/her place of business. Reimbursement requests should indicate the points of travel and the miles eligible for reimbursement. Mileage reimbursement requests should be sent to Finance office either separately or as part of a larger travel reimbursement request. Mileage can be the exact odometer reading or substantiated by a print out from Google Maps, Mapquest or another online mapping service.

SETTING UP A VENDOR

In order to set up a new vendor in the system, the Finance office requires a W-9 form for each vendor. Vendors regularly have to provide these forms. Any business knows what this form is and often has one already ready to provide.

Individuals qualify as vendors also need to have a W-9 on file.

VENDOR RELATIONS

No favoritism shall be extended to any vendor. All employees of the Academy must exercise sound judgment in avoiding conflicts of interest or the appearance of impropriety in dealing with vendors. Gifts or gratuities of other than nominal value or which might obligate an Academy employee in any manner shall be politely and firmly refused.

Any vendor or bidder who offers items in excess or in violation of the spirit of this policy may be disqualified indefinitely.

Employees of Swallows Charter Academy (SCA) shall not patronize telephone solicitations. Telephone solicitors must provide a written proposal in order to be considered as a vendor.

6. Conflicts of Interest

Disclosure and Review – Members of the Board of Directors and staff members with purchasing authority are required to sign the Conflict of Interest & Honor Code statements on an annual basis. The Director's forms will be distributed, completed and collected during the annual June board meeting and/or upon a member being sworn in.

If a staff member feels there may be a potential conflict of interest when making a purchase or signing a contract they shall notify the Director and the Board Treasurer, in writing (email is acceptable), prior to making the purchase or signing the contract. If the Board Treasurer does not also have a conflict he/she may grant permission for the purchase if the purchase or contract is within the Board approved budget and does not exceed $5,000. Otherwise, the potential conflict of interest must be brought to the full Board.

No firm owned in whole or in part by an employee or person officially connected with the Academy shall be allowed to sell goods of any kind to SCA, nor services of any kind other than those for which he or she was employed. Exceptions may be allowed if there is no other available source in the marketplace and provided such purchased goods or services are authorized by the SCA Board of Directors.

7. Investments

Investment Policy - This policy shall apply to the investment of all financial assets and all funds over which the school exercises financial control. All such funds shall be invested in accordance with this investment policy, and in compliance with the Colorado statutes governing the investment of public funds. The investment income derived from these accounts shall be distributed to the various school funds in conformance with statute.

All school funds allocated to a specific use but temporarily not needed shall be invested by the Treasurer of the Board, or other administrator appointed by the Board in accordance with state law and in a manner designed to accomplish the following objectives:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to ensure that adequate funds are available at all times to meet the financial obligations of the school when due.
- Diversification to avoid incurring unreasonable market risks.
- Attainment of a market value rate of return.
- Conformance with all applicable school policies, state statutes and federal regulations.

The Board of the school may appoint another who will perform the daily functions necessary to properly manage the cash flow needs and investments of the district and this individual shall keep the Board informed of investments and yields.

Legal Refs:
C.R.S. §§ 11-10.5-101 et seq.
C.R.S. §§ 11-47-101 et seq.
C.R.S. §§ 24-75-601 et seq.

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C.R.S. §§ 24-75-701 et seq.
C.R.S. §§ 45-44-101 et seq.

§ 24-75-601.1. Legal investments of public funds (modified for brevity)

(1) It is lawful to invest public funds in any of the following securities:

(a) Any security issued by, fully guaranteed by, or for which the full credit of the United States treasury is pledged for payment and inflation indexed securities issued by the United States treasury with a maturity date less than five years from the purchase date.

(b) Any security issued by, fully guaranteed by, or for which the full credit of the following is pledged for payment: The federal farm credit bank, the federal land bank, a federal home loan bank, the federal home loan mortgage corporation, the federal national mortgage association, the export-import bank, the Tennessee valley authority, the government national mortgage association, the world bank, or an entity or organization that is not listed in this paragraph (b) but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph (b). The security must have a maturity date less than five years from the purchase date and be in the highest rating category by at least two rating agencies.

(d) Any security that is a general obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. The security must be rated in one of the two highest rating categories by two or more nationally recognized rating organizations. It must have a maturity date less than three years from the date of purchase.

(e) Any security that is a revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. The security must be rated in its highest category by two or more nationally recognized rating agencies and have a maturity date less than three years from the date of purchase.

(h) Any security of the investing public entity or any certificate of participation or other security evidencing rights in payments to be made by the investing public entity under a lease, lease-purchase agreement, or similar arrangement;

(h.5) Any certificate of participation or other security evidencing rights in payments to be made by a school district under a lease, lease-purchase agreement, or similar arrangement if the security, at the time of purchase, carries at least two credit ratings from any of the nationally recognized credit rating agencies and is rated at or above "A" by all such credit agencies that have provided a rating;

(i) Any interest in any local government investment pool organized pursuant to part 7 of this article;

(j) The purchase of any repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VI) of this paragraph (j) are met:

(I) The securities subject to the repurchase agreement must be marketable.

(II) The title to or a perfected security interest in such securities along with any necessary transfer documents must be transferred to the investing public entity or to a custodian acting on behalf of the investing public entity.

(III) Such securities must be actually delivered versus payment to the public entity's custodian or to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity.

(IV) The collateral securities of the repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly.

(V) The securities subject to the repurchase agreement may have a maturity in excess of five years.

(VI) The period from the date of settlement of a repurchase agreement to its maturity date shall be no more than five years unless the governing body of the public entity authorizes investment for a period in excess of five years.

(j.5) Any reverse repurchase agreement concerning any securities referred to in paragraph (a) or (b) of this subsection (1) that can otherwise be purchased under this section if all of the conditions of subparagraphs (I) to (VII) of this paragraph (j.5) are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Cash must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a deliver versus payment settlement.

(III) The cash received from a reverse repurchase agreement must be collateralized at no more than one hundred and five percent and marked to market no less frequently than weekly.

(IV) The repurchase agreement is not greater than ninety days in maturity from the date of settlement unless the governing body of the public entity authorizes investment for a period in excess of ninety days.

(V) The counter-party meets the credit conditions of an issuer that would qualify under paragraph (m) of this subsection (1).

(VI) The value of all securities reversed under this paragraph (j.5) does not exceed eighty percent of the total deposits and investments of the public entity.

(VII) No securities are purchased with the proceeds of the reverse repurchase agreement that are greater in maturity than the term of the reverse repurchase agreement.

(j.7) A securities lending agreement in which the public entity lends securities in exchange for securities authorized for investment in this section, if all of the following conditions are met:

(I) Any necessary transfer documents must be transferred to the investing public entity.

(II) Securities must be received by the investing public entity or a custodian acting on behalf of the investing public entity in a simultaneous settlement.

(III) The securities received in the securities lending agreement must be no less than one hundred two percent of the value of the securities lent and marked to market no less frequently than weekly.

(IV) The counter-party meets the conditions of an issuer specified in paragraph (m) of this subsection (1).

(V) In the case of a local government, the securities lending agreement shall be approved and designated by written resolution adopted by a majority vote of the governing body of the local government, which resolutions shall be recorded in its minutes.

(k) Any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended, if, at the time the investing public entity invests in such fund:

(I) The investment policies of the fund include seeking to maintain a constant share price;

(II) No sales or load fee is added to the purchase price or deducted from the redemption price of the investments in the fund and no fee may be charged unless the governing body of the public entity authorizes such a fee at the time of the initial purchase;

(III) The investments of the fund consist only of securities with a maximum remaining maturity as specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to, or such successor regulation does not, increase the maximum remaining maturity of such securities to a period that is greater than three years, and if the fund has assets of one billion dollars or more, or has the highest current credit rating from one or more nationally recognized organizations that regularly rate such obligations.

(IV) The dollar-weighted average portfolio maturity of the fund meets the requirements specified in rule 2a-7 under the federal "Investment Company Act of 1940", as amended, or any successor regulation under such act regulating money market funds, so long as such rule 2a-7 is not amended to increase the dollar-weighted average portfolio maturity of a fund to a period greater than one hundred eighty days.

(l) (I) Any guaranteed investment contract, guaranteed interest contract, annuity contract, or funding agreement if, at the time the contract or agreement is entered into, the long-term credit rating, financial obligations rating, claims paying ability rating, or financial strength rating of the party, or of the guarantor of the party, with whom the public entity enters the contract or agreement is, at the time of issuance, rated in one of the two highest rating categories by two or more nationally recognized securities rating agencies that regularly issue such ratings.

(III) (A) Except as provided in sub-subparagraph (B) of this subparagraph (III), the contracts or agreements purchased under this paragraph (l) shall not have a maturity period greater than three years.

(B) Contracts or agreements with a maturity period greater than three years shall only be purchased with proceeds of the sale of securities of a public entity and proceeds of certificates of participation or other securities evidencing rights in payments to be made by a public entity under a lease, lease-purchase agreement, or other similar arrangement or if purchased by revenues pledged to the payment of such securities or certificates; except that no contract or agreement may be purchased pursuant to this paragraph (l) with the proceeds of any of the foregoing that are held in an escrow or otherwise for the purpose of refunding bonds or other obligations of a public entity.

(m) (I) Any corporate or bank security issued by a corporation or bank that is organized and operated within the United States must mature within three years from the date of settlement and, at the time of purchase, must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "AA- or Aa3" by any credit rating agency. If the security is a money market instrument such as commercial paper or bankers' acceptance, then the security must carry at least two credit ratings from any of the nationally recognized credit rating agencies and must not be rated below "A1, P1, or F1" by any credit rating agency.