



Policy No. 1

Approved
Amended November 29, 2021
Amended November 7, 2019

Financial Operations Policy

The Governing Board has adopted sound financial policies and accounting procedures in accordance with Hawaii Law. These policies, identified in this *Financial Operations Policy*, ensure effective internal controls over revenues, expenses and fixed assets and are evaluated on a regular basis to ensure compliance with all statutory and regulatory authorities.

The campus Administrator will be responsible for all aspects of school operations within the scope of this policy with fiscal oversight by the Governing Board. The faculty and staff will report directly to the campus Administrator, who in-turn reports to the Governing Board. The Fiscal Officer, contracted by the Governing Board, will provide bookkeeping and financial forecasting services to the Governing Board for its oversight and approval. The Fiscal Officer reports to the Governing Board.

The Governing Board, at a minimum, will be responsible for:

1. reviewing and approving a preliminary annual budget prior to the beginning of the fiscal year;
2. reviewing monthly financial statements, which include a balance sheet and statement of revenue, expenditures at each public Governing Board meeting;
3. annually adopting and maintaining an operating budget for the school
4. retaining the services of a Certified Public Accountant/auditor to conduct the annual independent financial audit;
5. reviewing and approving the audit report, including audit findings and recommendations; and
6. reporting to all applicable legal agencies including the charter school's sponsor; and
7. overseeing the school's campus Administrator and all financial matters delegated to the campus Administrator outlined in this policy and Policy #2, "Procurement Policy."

School invoices relating to daily operations will be managed by the Governing Board-approved Fiscal Officer. The Governing Board, in conjunction with the campus Administrator and Fiscal

Officer, will manage the daily operations and site-based finances, including expenditures and receivables and seek prior approval from the Governing Board for expenditures over a pre-approved amount (as per Governing Board policy #2, "Procurement Policy"). The Treasurer and Fiscal Officer will report on a monthly basis to the Governing Board on financial-related matters, including, but not limited to: payroll, financial statements, bank accounts, and any other information requested by the Governing Board.

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TABLE OF CONTENTS

1. Charter School Budget
2. General Operating Contingencies
3. Fund Balance
4. Budget Preparation
5. Procedures for Collecting and Depositing non-DSA funds
6. Staff Training
7. Authorized Signatures
8. Utilities
9. Governing Board Approved Contracts
10. Funding Proposals and Applications
11. Charter School Foundation
12. Investment of Funds
13. Fiscal Accounting and Reporting
14. Financial Reports and Statements
15. Property Inventory and Capitalization
16. Audits
17. Charter School Purchasing
18. Food Service Accounts (National School Lunch Program)
19. Expenditures of Charter School Funds for Meals, Refreshments and Gifts
20. Petty Cash Accounts
21. Credit Cards
22. Payment Procedures
23. Payroll
24. Expense Reimbursements
25. Insurance Coverage
26. Travel Advances & Reimbursements
27. Disposal of Charter School Property
28. Information Technology Procedures
29. Internal Control Testing

1. Charter School Budget

The charter school budget will serve as the financial plan of operation for the charter school and will include estimates and purpose of expenditures for a given period and the proposed means of financing the estimated expenditures. The governing board will provide the budget and budget documents in accordance with the rules and regulations as specified by the Hawaii Department of Education on an annual basis.

The charter school budget will be prepared in full compliance with HRS 302D-28 and other applicable Hawaii state laws.

The Fiscal Officer, under the director of the Governing Board, will be responsible for the preparation of the budget document.

2. General Operating Contingencies

General operating contingencies may be established at an amount deemed sufficient by the Governing Board to responsibly enable the charter school to meet unforeseen financial needs due to emergencies and changing charter school needs. The amount will be established by the Governing Board during the budget development process.

General operating contingencies may be recommended by the campus Administrator and Fiscal Officer for Governing Board approval. The need, purpose and amount of the transfer shall be duly recorded.

3. Fund Balance

The Governing Board recognizes its responsibility to establish an unreserved fund balance in an amount sufficient to:

1. Provide prudent reserves to meet unexpected emergencies and protect against catastrophic events;
2. Meet the uncertainties of state and federal funding; and
3. Help ensure a charter school credit rating that would qualify the charter school for lower interest costs.

Consequently, the Governing Board directs the campus Administrator and Fiscal Officer to manage the currently adopted budget in such a way as to strive for an annual ending fund balance of at least 5 percent of total adopted revenues.

In determining an appropriate unreserved fund balance, the Governing Board will consider a variety of factors with potential impact on the charter school's budget including the predictability and volatility of its expenditures; the availability of resources in other funds as well as the

potential drain upon general fund resources from other funds; liquidity; and designations. Such factors will be reviewed annually.

4. Budget Preparation

The Treasurer, along with the Fiscal Officer, has the responsibility to coordinate with the campus Administrator to complete budget preparation for the Governing Board review and should develop such procedures necessary to ensure that the proposed budget reflects all areas of charter school operation.

The campus Administrator and the Governing Board will establish budget priorities for the charter school and will make appropriate recommendations related to those priorities.

5. Procedures for Collecting and Depositing non-DSA Funds

All non-DSA revenues received by the school will be received by the School Front-Desk Manager/Receptionist. The Front-Desk Manager/Receptionist is required to issue a paper receipt to the payer in a receipt book provided by the School Office Manager. The receipt book must be a prenumbered, multi-part receipt form.

At the end of each day, the Front-Desk Manager/Receptionist is required to turn over all payments and receipts to the Office Manager. The Office Manager and one other available school employee, but not the Front-Desk Manager/Receptionist or the campus Administrator who will be depositing the funds, will tally the total of the receipts and monies collected and verify the amounts match. The Office Manager will then endorse all checks For Deposit Only to the School's account and prepare a deposit slip.

A copy of all cash receipts and checks which support each deposit must be made and kept with a copy of the deposit slip.

The campus Administrator or designee is responsible for transporting all non-DSA funds to the Banking Institution selected by the Governing Board. Cash and checks must be deposited weekly, no later than each Friday. If Friday is a banking and/or a school holiday, deposits must be made the day before. The following weeks are excluded, winter break and spring break.

6. Staff Training

Training in financial policies and procedures for campus Administrators, office managers and staff needs to be provided at least annually. Documentation of training should be retained, and a copy of the documentation should be submitted to the Governing Board.

7. Authorized Signatures

Authority to sign checks written on any of the School or Campus accounts shall be as follows:

The Governing Board will select non-school employees to be signers on bank accounts. Two signatures will be required on any instrument, check, wire, ACH, etc. drawn against school funds. Exception; two Governing Board members may sign, physically or electronically, an accounts payable or other payable report indicating approval of invoices, bills, etc. that may be paid via electronic check, wire, ACH, or any other electronic means.

8. Utilities

The school may set up automatic payments with utility companies (electric, phone/internet, water/sewer, etc.).

9. Governing Board Approved Contracts

The Governing Board will authorize the Fiscal Officer to approve online payments via wire transfers or ACH on contracts that have been presented and approved by the Governing Board of Directors.

10. Funding Proposals and Applications

The charter school shall pursue federal, state or private grants or other such funds that will assist the charter school in meeting adopted Governing Board and charter school goals.

Proposals for external funds will be submitted to the Governing Board for evaluation and approval. In the event an opportunity arises to submit a grant proposal and there is insufficient time to place it before the Governing Board, the campus Administrator, in conjunction with two Governing Board Members, is authorized to use their judgment in approving it for submission. A review of the proposal will be made with the Governing Board at its next regular meeting. The Governing Board reserves the right to reject funds associated with any grant which has been approved.

The Governing Board shall, before an acceptance of such funds, consider the charter school's obligations, expectations or encumbrances when the grant ceases.

11. Charter School Foundation

The Governing Board authorizes the establishment and incorporation of a Foundation for the purposes of accepting, holding and administering funds and gifts to the charter school for special and general purposes. The purposes of funds administered by the Foundation may include scholarship, student aid, capital improvement projects, improvement and extension of programs and other activities of benefit to the charter school and its students. Both the Governing Board and the Foundation Board of Directors will receive annual evaluations for all funded projects.

The Foundation will be incorporated under Hawaii Revised Statutes and registered as a tax-exempt corporation under Section 501 of the Internal Revenue Service Code.

The Foundation will be governed by a Board of Directors whose selection, membership and functions will be set forth in the Foundation's By-laws.

12. Investment of Funds

The Governing Board may authorize the investment or reinvestment of funds which are not immediately needed for operation of the charter school. Such investments will comply with state law and Hawaii Administrative Code.

13. Fiscal Accounting and Reporting

The charter school's accounting and reporting system will be in accordance with generally accepted accounting principles and will conform to state laws and regulations. Accounting procedures shall show a detailed and meaningful analysis of both receipts and expenditures. This analysis should be adequate for study and evaluation by the Governing Board and school management and will serve as a basis to make financial and related educational decisions, to formulate future plans, to safeguard public funds and to ensure adequate financial accountability.

Payment on all charter school accounts, including the general fund and special accounts, shall operate according to established accounting procedures.

All cash received is to be properly receipted. Money received shall be placed in deposit as outlined in section 5 above.

The Governing Board shall be the lawful custodial officer of all charter school funds and shall demand receipt for, and safely keep according to law, all moneys, effects, books and papers belonging to the charter school. Funds may be commingled in the depository so long as they are budgeted and accounted for separately.

14. Financial Reports and Statements

The Governing Board, through the Governing Board Treasurer, will receive and accept financial reports that include monthly bank statement reconciliations, actual receipts in comparison to budget estimates and the charter school's overall cash condition. Supplementary reports on other funds or accounts will be furnished upon request of the Governing Board or administrator.

Appropriate staff will be available at any Governing Board meeting, upon the Governing Board's request, to respond to questions and to present current financial information. The Fiscal Officer will notify the Governing Board at any time of substantial deviations in the anticipated revenues and/or expenditures.

15. Property Inventory and Capitalization

The charter school will maintain a complete property inventory, which lists all school sites, buildings, equipment and supplies with a value greater than \$1000. This amount will also serve as the Capitalization Threshold Limit for non-capital assets. The Governing Board may authorize the employment of an appraisal company to assist with the inventory procedure.

The campus Administrator will maintain an inventory of all capital assets in accordance with governmental accounting standards. The charter school's inventory will be updated annually, in the summer, before the next school year begins. This includes all property newly purchased and disposed. Inventory purchased with federal grant money will be tracked separately per grant.

Capital assets includes all charter school-owned property such as land, buildings, improvements to property other than buildings (i.e., parking lots, athletic fields, playgrounds, etc.) and equipment with a value greater than \$5,000.

16. Audits

An audit of all charter school accounts will be made at least annually by an accountant selected by the Governing Board. (See, HRS 302D-32).

A copy of the audit report will be presented to the Governing Board by the Treasurer and Fiscal Officer. The campus Administrator will submit a copy of the audit report to the sponsor.

17. Charter School Purchasing

The function of charter school purchasing is to serve the educational program by providing the necessary supplies, equipment and services.

The purchasing agent will be appointed by the Governing Board. He/She will be responsible for developing and administering the charter school's purchasing program.

No obligation above \$10,000 may be incurred by the campus Administrator or by the Governing Board unless that expenditure has been authorized in the budget or by Governing Board action and/or Governing Board policy. Refer to Policy No. 2, "Procurement Policy" for further guidance regarding purchases. In all cases calling for the expenditure of charter school money, except payroll and utilities, a requisition and purchase order system must be used for any expense amount above \$2501. No bills will be approved for payment unless purchases were made on approved orders. All official contracts will be formatted using approved instruments provided by the Hawaii Department of Attorney General's office.

The campus Administrator is authorized to enter into and approve payment on contracts obligating charter school funds not to exceed (\$10,000) for products, materials, supplies, capital outlay and services that are within current budget appropriations. The Governing Board shall approve all contracts that are collective bargaining agreements or service contracts that include the provision of labor performed by charter school employees, such as custodial, food service and transportation services, or contracts valued over \$2,501 in a school year.

The campus Administrator, in conjunction with the Fiscal Officer, will review bills due and payable to determine if they are within budget amounts. After appropriate review, the Fiscal Officer will seek appropriate Finance Committee approval to release funds for payment. The Fiscal Officer will direct payment of the just claims against the charter school. The campus Administrator and/or Finance Committee is responsible for the accuracy of all bills and vouchers sent to the Fiscal Officer.

No Governing Board member, officer, employee or agent of this charter school shall use or attempt to use his/her official position to obtain financial gain or for avoidance of financial detriment for himself/herself, a relative or for any business with which the Governing Board member or a relative is associated. Acceptance of any gratuities, financial or otherwise, from any supplier of materials or services to the charter school by any Governing Board member, officer or employee of the charter school is prohibited.

Bids or proposals shall be called for on all purchase, lease or sale of personal property, public improvements or services other than agreements for personal service, in accordance with applicable competitive procurement provisions of Hawaii Revised Statutes and adopted public contracting rules.

18. Food Service Accounts (National School Lunch Program)

If the charter school elects to participate in the National School Lunch Program (NLSP) for all or any campus, the school may create a separate bank account to process the NSLP transactions. All proceeds received for the NLSP can be deposited into the NLSP checking account and expenses related to the NLSP account will first be paid out of this checking account until the funds are exhausted, then the remaining balances will be paid out of general operating funds. No proceeds or profits from the NLSP shall be used for any other purposes than that approved by the NLSP.

19. Expenditure of Charter School Funds for Meals, Refreshments and Gifts

The charter school recognizes there may be occasions when it is appropriate for Governing Board members, campus Administrators and others to expend charter school funds in the course of conducting charter school business to provide meals or refreshments (bakery goods, snacks, fruit, punch, coffee, tea, soft drinks, etc.). The purchase of gifts may also be approved, in certain situations. Such occasions may include, but are not limited to, various charter school and building level meetings, gatherings to celebrate charter school successes or recognize individual achievements, contributions or outstanding service to the charter school and other charter school and school- sponsored activities.

The use of charter school funds, as used in this regulation, means the use of money in any of the general accounts of the charter school. It also includes money earned and raised by the student body derived from any student activity or from parent organizations. Exceptions are funds collected from staff members or others for the specific purpose of providing gifts or parties. It is also recognized that buildings may have established a "social fund" or "sunshine fund" to which each staff member may voluntarily contribute. Such funds are generally used for birthday recognition, bereavement and illness acknowledgment activities, etc. These funds are also exempt from the following requirements.

Meals may be provided by the charter school to recognize the contributions of staff, through retirement dinners or other recognition events. Meals may be provided by the charter school as a part of Governing Board or administrative work sessions, at charter school or building-level committee meetings or other charter school approved activities. Meals provided at staff meetings and trainings must be supported by adequate documentation, which shall include a list of attendees and an agenda with a time frame for each topic discussed.

Meals not directly business related may be provided to staff or others at the individual's expense only.

Governing Board members, administrators and other charter school administrative staff may use charter school funds to provide refreshments for staff, parents or others at meetings, in-service programs or other similar charter school or school-sponsored activities, not to exceed \$15 per participant and subject to the following additional requirements:

- The purchase of alcoholic beverages with charter school funds is strictly prohibited;
- The use of charter school funds for parties is prohibited.

There are numerous occasions that may arise whereby Governing Board members, campus Administrators or other charter school staff may feel the need to recognize employees, i.e., Bosses' Day, Secretaries' Day, classified employees' week, birthday, etc. A Governing Board member, campus Administrator or other charter school employee may provide such recognition at his/her expense only, unless as otherwise permitted below:

The charter school may provide a small token of appreciation for a Governing Board member's or employee's retirement and years of service and other related activities utilizing charter school funds, as approved in advance. For example, the Governing Board generally proclaims special recognition for classified employees' week and teacher appreciation week; campus Administrators may use charter school funds to provide an appropriate token of appreciation on behalf of the Governing Board. The value of this item may not exceed \$50 per person; No other expenditure of charter school funds for gifts is permitted without prior authorization from the Governing Board or campus Administrator.

20. Petty Cash Accounts

The school is not permitted to have a petty cash account. The school may however withdraw cash for the purpose of making change at school events. These transactions should be limited to change only transactions and should not be used for purchases. A cashbox of \$150 will be established for the purpose of making office change only. It shall not be used for petty cash. When the balance of cashbox exceeds \$175, a deposit will be made to the school's appropriate bank account.

21. Credit Cards

The Governing Board authorizes the Treasurer and Fiscal Officer to hold a bank credit card in the name of the charter school and to issue such cards to designated employees. Approved card holders will be held responsible for maintaining sole possession and security of issued cards at all times. Credit cards shall have a Governing Board approved maximum limit of \$2,500. Debit cards are strictly forbidden.

Credit cards issued to employees may only be used to purchase items authorized by the adopted charter school budget.

Purchase slips and receipts must be turned in to the Office Manager within 10 days of the transaction. The Fiscal Officer shall pay in full the credit card balances no later than the due date so that finance charges will not be incurred.

Charter school-issued credit cards shall be subject to the following:

1. Personal items shall not be charged on charter school-issued credit cards. If a personal item is inadvertently purchased on a charter school-issued credit card in violation of this policy, repayment by the employee must immediately report the charge to their supervisor and repayment by the employee must be made immediately. Failure to make required payment may result in an automatic deduction from the individual's next payroll disbursement. More than one personal purchase on a school issued credit card may warrant the cancellation of employee credit card.

Accordingly, the charter school will require individuals issued credit cards to sign a written authorization for payroll deduction in the event of such personal use;

2. The purchase of alcoholic beverages is strictly prohibited. The purchase of gasoline for a privately-owned vehicle is also prohibited without prior authorization;
3. Leaving a gratuity that exceeds 15% is prohibited;
4. Airline tickets may be purchased with a charter school-issued credit card only with prior campus Administrator authorization. If the issued credit card provides for purchase incentives (i.e., points, discounts or airline mileage credits), such incentives shall only be redeemed for authorized charter school business.
5. All campus Administrator travel must be approved by two Governing Board members prior to making travel arrangements.
6. Violation of the provisions of this policy may result in the revocation of the credit card and/or discipline up to and including termination of employment.

22. Payment Procedures

All claims for payment from charter school funds will be processed by the Fiscal Officer in conformance with charter school procedures. Payment will be authorized against invoices properly supported by approved purchase orders (when required), with properly submitted vouchers approved by the Governing Board.

The Treasurer and Fiscal Officer, in conjunction with the campus administrator will be responsible for assuring that budget allocations are observed and that total expenditures do not exceed the amount allocated in the budget.

23. Payroll

Preparation of payroll, including time schedules and payroll periods, will be done in accordance with each employee's agreement with the Governing Board and any collective bargaining agreements. Employee health, accident, dental and other types of insurance will be provided as outlined in the agreements. Mandatory payroll deductions will be withheld as required by state and federal law.

24. Expense Reimbursements

The Governing Board recognizes that certain expenses are incurred by charter school employees in carrying out authorized duties. The Governing Board approves the reimbursement of necessary and reasonable expenditures as outlined in the accompanying administrative regulation and consistent with Internal Revenue Service requirements and Hawaii Administrative Codes.

All approval and reimbursement procedures must be followed prior to reimbursement. Reimbursement for in-state travel by private vehicle will be pre-approved on an individual basis by the campus Administrator. If the travel is by the campus Administrator, two board members must approve travel.

Expense reimbursement for staff traveling on approved charter school business will be governed by the following procedures. Travel expenses include travel fares, meals and lodging and expenses incident to travel. Only travel expenses as are ordinary and necessary in the conduct of approved travel for charter school business purposes and directly attributable to it will be reimbursed. As used in this regulation an "ordinary" expense means one that is common and accepted in the profession; a "necessary" expense means one that is essential and appropriate in order to conduct charter school business. Reimbursement procedures established by the charter school will also apply to Governing Board members traveling on charter school business, as applicable.

Expense reimbursements for staff or Governing Board travel shall not exceed the maximum General Services Administration (GSA) approved rates, including published federal mileage reimbursement rates. All governing board travel must be preapproved by all governing board members.

Reimbursement will be made for ordinary and necessary meal expenses incurred in the course of approved travel for charter school business. Meals include amounts spent for food, beverage, taxes and related gratuities. Alcoholic beverages will not be reimbursed by the charter school.

Expenses in excess of the charter school's established limit are ordinarily the responsibility of the employee and may be reimbursed only with Governing Board or campus Administrator approval. Receipts for all meal expenses must be secured and attached to the claim.

Travel must be conducted in the most expeditious and cost-effective manner, as determined by the charter school.

25. Insurance Coverage

All charter school employees operating private vehicles on approved charter school business are required to complete and maintain on file with the charter school, verification of vehicle liability insurance that meets or exceeds Hawaii statutory minimum limits. This verification is required annually. Employees are required to update their verification of vehicle liability information maintained on file with the charter school upon any change in the employee's vehicle insurance coverage.

It is the responsibility of the owner or driver of the vehicle to be certain that the vehicle is adequately covered by insurance. Insurance costs are included as part of the mileage reimbursement for employees authorized to use a private vehicle to conduct charter school business.

The responsibility of the charter school for damages resulting from vehicle accidents is not the same as set forth in the charter school's general liability insurance policy. The employee's insurance coverage provides primary coverage when the employee is driving his/her own vehicle on approved charter school business.

26. Travel Advances & Reimbursement

A travel advance may be requested when the estimated cost for meals, lodging, etc., exceeds \$150. The travel advance may be requested by completing the form provided by the charter school. Travel advances may not exceed the maximum General Services Administration approved rate.

The cost of commercial travel tickets will not be included in a cash advance request.

In the event of loss, the employee is personally responsible for cash advances issued and for any third party use of a charter school-provided credit card.

Only one cash advance may be outstanding to any employee at any time.

27. Disposal of Charter School Property

Except as stipulated in Hawaii state law, the Governing Board may, at any time, declare charter school property as surplus and authorize its disposal when such property is no longer useful to the charter school, unsuitable for use, too costly to repair or obsolete.

If reasonable attempts to dispose of surplus properties fail to produce a monetary return to the Charter school, the Governing Board may dispose of them in another manner.

28. Information Technology Procedures

The Governing Board has contracted with an outside contractor to maintain Campus computer networks, including the maintenance of firewalls and offsite data backup. School staff is required to work closely with the contracted firm to ensure the security of School networks and data.

29. Internal Control Testing

The Governing Board will contract with an independent accounting and audit firm to perform internal control testing and review annually. Campus Administration, Office Managers, and the Fiscal Officer are required to work closely with the contracted independent audit firm.