

FISCAL CONTROLS

Purpose

The Board believes in implementing and following fiscal management practices to ensure that the School's funds are appropriately managed in order to support the School's mission and avoid any liability that could be attributed to the Board resulting from mismanagement.

Policy

School funds will be budgeted, accounted for, expensed, and maintained in an appropriate fashion and in accordance with Federal and State requirements. The following procedures have been established to facilitate this.

Procedure

A. Budgets

Working with ECS, LLC, its management company, the School's fiscal officer will coordinate the preparation of an annual budget with estimated revenue and expenditures in the spring prior to May 1 for the following fiscal year, defined as the twelve-month period ending June 30, unless otherwise required by law or other contract. The Board shall plan to review and approve the budget prior to June 30 of each year. The fiscal officer will prepare a fiscal year forecast based upon updated assumptions before the opening of the new school year. Approved annual operating budgets will be submitted to all appropriate entities required by law in the format required by statute and/or regulations and by required deadlines.

Approved budgets will be used to monitor the financial activities of the year via the monthly financial reports. In addition, the School's fiscal officer in coordination with ECS, LLC, as necessary, will prepare cash flow analysis, budget projections, and budget revisions, for upcoming fiscal years for the Board's review.

B. Controls, Budget, and Fiscal

A large portion of financial support for the School comes from the federal government. This funding is in the form of direct support for the School programs and often includes reimbursement for indirect costs. The federal Uniform Grant Guidelines (UGG) identifies the criteria that must be met in order to properly charge these costs to federally funded projects. Individual non-federal awards may also include special terms and conditions that must be met before costs can be charged or reimbursed, which must also be considered before allocating certain costs to the award. The School will maintain the following principles in its ongoing fiscal management practices to ensure that, (1) expenditures are authorized by and in accordance 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:

1. Allowable Use of Funds

All costs expended using federal funds must meet the following general criteria set forth in the UGG at 200 CFR 200, Subpart E:

- Be necessary and reasonable for the proper and efficient performance and administration of the grant program;
- Be allocable to federal awards under the provision of the federal circular;
- Be authorized and not prohibited under state or local laws or regulations;
- Conform to any limitations or exclusions set forth in the principles, federal laws, terms and conditions of the federal award, or other governing regulations as to types or amounts of cost items;
- Be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the School;
- Be accorded consistent treatment. A cost may not be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost;
- Except as otherwise provided for in the federal circular, be determined in accordance with generally accepted accounting principles;
- Not included as a cost or used to meet cost sharing or matching requirements of any federal award in either the current or a prior period;
- Be net of all applicable credits;
- Be adequately documented.

The cost guidelines of the UGG must be considered any time federal award funds are to be expended. The School may apply federal UGG requirements to non-federal projects as well.

Direct and indirect costs:

Allowable and allocable costs must be appropriately classified as direct or indirect. In general, direct costs are those that can be identified specifically with a particular cost objective while indirect costs are those (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

2. Drawdowns and Reimbursement Requests

For all funding methods, the School will follow the grantor's preferred method of requesting funds while attempting to minimize the time between fund receipt and the disbursement of grant funds for program-related expenditures.

Regardless of the method of grant fund receipt, all program expenditures that will be paid for with grant funds must be allowable and meet any applicable cost restrictions.

3. Time and Effort

All employees who are paid in full or part with federal funds must keep specific documents to demonstrate the amount of time they spent on grant activities. This includes an employee whose

salary is paid with state or local funds but is used to meet a required “match” in a federal program. These documents, known as time and effort records, are maintained in order to charge the costs of personnel compensation and any fringe benefits to federal grants.

4. Frequent Type of Cost: Travel

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of a grant recipient. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the School’s non-federally funded activities and in accordance with the School’s Travel Reimbursement Policy. 2 CFR 200.474(a).

Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the School in its regular operations as the result of the School’s Travel Reimbursement Policy. In addition, if these costs are charged directly to the federal award, documentation must be maintained that justifies that (1) participation of the individual is necessary to the federal award; and (2) the costs are reasonable and consistent with the School’s established policy.

5. Segregation of Duties

The School will develop and maintain simple check request and purchase order forms to document the authorization of non-payroll expenditures that are made directly from the School’s bank account. These expenditures will primarily be those expenditures not covered under the monthly invoice from ECS, LLC. All proposed expenditures must be approved by the Superintendent, who will review to determine whether it is consistent with the Board-adopted budget, and sign the check request form. All check requests and purchase orders over Fifteen Thousand (\$15,000) Dollars must be approved by the Superintendent, Principal, and the School fiscal officer. Payments for invoices for operational services contracted by the School, and previously approved by the Board, including those for services provided by ECS do not need to be countersigned.

All transactions will be posted on an electronic general ledger by the School’s fiscal officer. This ledger will be maintained by the School’s fiscal officer.

6. Banking Arrangements/Reconciliation

The School will maintain its accounts at a federally insured commercial bank or credit union in the State of operation as approved by the Board in compliance with the respective state law. Funds will be deposited in non-speculative accounts including federally insured savings or checking accounts or invested in non-speculative federally backed instruments. For all funds, the Board must appoint and approve all individuals authorized to sign checks in accordance with these policies.

Bank statements from private banking institutions may be accessed on-line by the School’s fiscal officer. A report of the reconciliation will be provided to the Board on a monthly basis for approval.

6. Check & Cash Receipts

The majority of collections will be received electronically by the School's bank via EFT/ACH. Such deposits will be recorded to the general ledger at the time of receipt. All checks received by the School shall be submitted to the School's fiscal officer promptly upon receipt. The checks are then marked "for deposit only" and secured in a locked drawer until the deposit is made. Checking accounts are reconciled monthly in order to keep an accurate record of bank activity. All cash collections are deposited into the appropriate bank account on a regular basis. All deposits are then recorded in a general ledger by the School's fiscal officer.

7. Accounts Receivable

To the extent required, the School's fiscal officer will generally submit invoices to outside entities/agencies. Such invoices will be generated through the accounting system, reviewed by the School's fiscal officer and sent to the appropriate party for collection.

Upon collection of monies due on a particular invoice, the School's fiscal officer's office will follow the cash receipt procedures previously described and close out the outstanding amount in the accounting system.

8. Purchasing Procedures

This section applies to purchases made by the School, and does not apply to purchases made by ECS, LLC pursuant to the Management Agreement with the School. All purchases over the threshold for bids described in the Ohio Revised Code 3313.46 must include documentation of good faith effort to secure the lowest possible cost for comparable goods or services subject to the School's Procurement Policy. The Superintendent shall not approve purchase orders or check requests lacking such documentation and must comply with the School's Procurement Policy. Documentation shall be attached to all check and purchase order requests showing that at least two (2) vendors were contacted and such documentation shall be maintained for three (3) years. If specialty goods are not available through multiple vendors, documentation may include this information in lieu of a cost comparison.

The Superintendent or designee may purchase supplies, materials, equipment and services up to the amounts specified in the approved budget or per an approved Board action in accordance with the School's Procurement Policy, while ensuring the above procedures are followed. Supporting documentation is maintained in accordance with the School's Records Retention Policy.

9. Record Keeping

Transaction ledgers, invoices, receipts, canceled/duplicate checks, and entitlement records, payroll records, and any other necessary fiscal documents will be maintained by the School's fiscal officer's office in accordance with state law, and as set forth in the School's Records Retention Policy, or as long as required by applicable law, whichever is longer. Appropriate backup copies of electronic and paper documentation, including financial will be regularly prepared and stored in a secure location, separate from the School.

10. Fixed Assets

The School's fiscal officer in collaboration with ECS, LLC shall establish and maintain and regularly update a listing of all computers, equipment and furniture purchased by the School of a value of over Five Thousand (\$5,000). This list shall include the original purchase price and date, a brief description, serial numbers, and other information appropriate for

documenting the School's assets. The School shall maintain a segregated list of assets that were purchased with non-public funds, where applicable.

11. Annual Audit

The Board shall annually contract for the services of an independent public accountant to perform an annual fiscal audit in compliance with state law. The audit shall cover the business of the School during the full fiscal year; be a financial audit conducted in accordance with generally accepted auditing standards; and, include, but not be limited to, (1) an analysis of the School's compliance with applicable laws and regulations; (2) any recommendations for improvement by the School; (3) any other comments deemed pertinent by the auditor, including the auditor's opinion regarding the financial statements; (4) an audit of the accuracy of the School's financial statements, (5) an audit of the School's attendance accounting records, and (6) an audit of the School's internal controls practices. If the School expends federal funds in excess of the threshold for a single audit, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars. The audit shall be provided to the Board. Copies of the audit will also be forwarded to any entities or public agencies, as required by the respective state's charter school law, the charter and state regulations.

12. Fiscal Reports

The following reports will be prepared for the School, maintained by the School's fiscal officer on a monthly basis, and reported to the Board:

- Revenue and Expense Statement for the current fiscal year – showing actual results for the months already past and forecasts for future months
- Balance Sheet
- Bank Reconciliation – listing all of the deposits and withdrawals for the period under review with descriptive headings
- Account Payable Detail – showing the vendor name, the invoice amount, , and date due;
- Accurate, current, and complete disclosure of the financial results of each federal award or program must be made in accordance with the financial reporting requirements set forth in EDGAR

13. Property and Liability Insurance

The School shall ensure that it retains appropriate property and liability insurance coverage in accordance with the respective state law. Board of Directors and Officers liability insurance shall also be obtained. Insurance will be kept in force at all times with any minimum limits as outlined in the Sponsorship Contract.

14. Contract Signing Authority

Unless otherwise authorized or designated by the Board, all contracts entered into by the School for any monetary amount shall require the signature of the President or as noted below. Routine contracts for the operation of the School such as for field trips, janitorial services, etc. in a monetary amount of Ten Thousand (\$10,000) Dollars or less may be signed by the Superintendent or Principal.

Contract Approval and Signature Authority:

The principal, superintendent, and fiscal officer have authority to approve and sign Contracts for expenditures within the approved budget as follows:

Contract Value	Approval/Signatories	Board of Directors and/or Notes
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\$10,000 or less	Superintendent or principal	All contacts over \$25,000.00 must have Board approval.
\$10,000.01 to \$15,000	Superintendent <u>and</u> Principal	
\$15,000.01 to \$25,000	Fiscal officer, superintendent, and principal	

15. Program Income

Program income means gross income earned by a grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of the performance 2 CFR 200.80.

Program Income includes, but is not limited to, income from fees for services performed, the use or rental or personal property acquired under federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations or the terms and conditions of the federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. 2 CFR 200.80. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income. 2 CFR 200.307.

Use of Program Income:

The default method for the use of program income for the School is the deduction method. 2 CFR 200.307(e). Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the School is otherwise directed by the federal awarding agency or pass-through entity. 2 CFR 200.307(e)(1). The School may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the Federal award by the Federal agency and the non-Federal agency. The program income must then be used for the purposes and under the conditions of the Federal award. 2 CFR 200.307(e)(2). While the deduction method is the default method, the School will always refer to the Grant Award Notice prior to determining the appropriate use of program income.

16. Lending & Borrowing

The School may borrow money to pay any necessary and actual expenses in accordance to law. The School may make loans as authorized under a specific statute.