



MODEL POLICY SERIES
FINANCIAL OPERATIONS POLICIES

INTRODUCTION

The Financial Operations Model Board Policy will provide a summary of statutes and regulations that apply to the financial operations of charter schools, as well as specific model board policies designed to comply with these legal requirements.

These are suggested policies to address the requirements from state and federal law and State Board of Education Rules applicable to charter schools in Missouri. Prior to adoption of model policies by a charter school board of a charter school, each policy should be customized by adding the school's name where indicated and by tailoring the language, where appropriate, to fit the specific needs, culture and requirements of the school. MCPSA recommends that the Board of a charter school consult with the school's legal counsel in connection with adopting and implementing the policies contained within this manual.

MCPSA plans to update the Model Board Policies for Charter Schools on an annual basis to reflect changes in applicable laws and regulations.

Scope of Service & Copyright Notice

This policy module prepared by the MCPSA is designed and intended as a resource of information for charter schools and is not to be construed as legal advice. It should be used in connection with consulting and obtaining the advice of the school's legal counsel to ensure compliance with applicable legal requirements.

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I. Business Plan and Budget Process

A. Business Plan

Charter school leaders of both start up charter schools and conversion schools have a vision for the school and for the results they wish to obtain. A business plan is the recommended way to merge the goals for the school with the every day mechanics of running a business—obtaining funding, recruiting students, operating a facility, supervising staff and maintaining the financial health of the organization. The business plan is the first step to outlining the financial goals for the school’s operating board and will shape the budget process for the school. While the business plan should be developed by the founding board and proposed school management, input should be obtained from external stakeholders such as parents, community leaders, and potential staff.

The current Missouri Model Charter Application already contain several components that are outlined here, and therefore thorough development of the business plan will assist charter school leaders as they develop their application. Since the business plan is often used as a tool to obtain funding from community and business leaders, it should be created as an organizational document that describes the school’s purpose and operational plan.

The business plan should include the following:

1. **Description of the school (mission statement, instructional focus and goals and governance structure).** The governance section is particularly important, as it provides information regarding the school’s governing board structure, bylaws, articles of incorporation and whether or not the school will utilize the services of education management organization (“EMO”);
2. **Market analysis supporting how the charter school would be fulfilling a need within the community.** The charter school must engage in ample research of how the current schools within the system are serving the community, how the charter school intends to recruit students from other schools within the district, how many students must attend the school in order to maintain financial feasibility etc. This section should also include the school’s marketing plan for reaching out to potential students;
3. **Management plan summarizing how the school will be managed on a day to day basis.** If school management has been identified, this section should explain each position’s role and responsibilities and a proposed organizational chart. If school management has not yet been identified, the business plan should include a recruiting plan, job descriptions for each position and an estimated time for finalizing the hiring process. The

management plan should provide brief descriptions of employment practices such as hiring and firing employees; performance evaluations; salary decisions and staff training.

If the school will be using the services of an EMO, the management plan section of the business plan should define the general terms and conditions of the arrangement and outline the necessary parameters around the roles and responsibilities of the governing board and the EMO. In addition, if the school will be contracting out any other services (accounting, custodial, food services), those contracts should be described in this section.

This section should also begin to address the financial management plan and the plan for hiring a Business Manager/Business Manager (if one has not already been identified). This section should begin to analyze the sources of funding that will be available to the school (local funding, state funding, federal funding, funds derived from grants, donations or private loans) and develop a plan and a timeline for obtaining those funds.

4. **Operations plan describing the day to day operations of the school.** This section will discuss what grade levels the school will serve; curriculum and instructional focus; class schedules; transportation to and from school; plans for safety and security etc. This section should also discuss the plans for obtaining a facility, if one has not already been obtained.

5. **The financial plan with the annual operating budget, cash flow proforma and the cash flow projections for the first years of.** The budget process is discussed in detail below.

The sample charter school budget can be found on the Missouri Department of Elementary and Secondary Education's website:

<http://dese.mo.gov/quality-schools/charter-schools/applications>

B. Budget Process

Charter applications must include detailed and thorough budget documents within the application. (“Application” will be referred to within this document to include new applications as well as renewal applications). The goal of a sound budgeting process will result in not only annual budget documents but also written policies and procedures detailing a system of proper internal controls to ensure fiscal responsibility. It is imperative that charter school leaders hire an accountant or other qualified financial professional to develop the school’s business plan and oversee the budget process.

The charter application should state whether or not the school will be petitioning to serve as the own local education agency (“LEA”) for fiscal management or if the school will be part of a school district LEA; if so, the application should also include provisions specifying the amount of autonomy the charter school will have with regard to budgets and expenditures. While the exact requirements of a charter school’s annual budget will differ according to the LEA status, guidelines are addressed here.

1. Annual Operating Budget

An operating budget is a dollar amount established as an estimate of expenditures and how they will be financed. While this policy manual is not intended to extensively detail the education funding formula in Missouri, a charter school’s main source of income will be the per-pupil payments it receives from the state. Since state and local funding is initially determined pursuant to projected enrollment numbers for the charter school, it is important that charter school leaders conduct market research in order to determine reasonably accurate projected enrollment figures. Charter school leaders should analyze how the community’s education demands are currently being met in order to determine potential demand for the school. Charter school leaders are encouraged to talk to other charter school operators in order to determine what their year to year rate growth rate has been and whether or not their projected enrollment figures support the growth rate. Since overestimating student enrollment can have significant budget impacts for the charter school, it is recommended that student enrollment projections err on the conservative side. It is also recommended that charter schools periodically conduct an environmental scan to determine if demographics are changing in the community or in the local schools, since these factors can impact both enrollment projections and programs that impact funding.

It is critical that charter schools follow the States accounting codes, and MCPSA recommends charter schools follow the state’s MO Financial Accounting Manual.

The Manual can be found at:

<http://dese.mo.gov/financial-admin-services/school-finance/mo-financial-accounting-manual>

An overview of the state's accounting code structure can be found at:

<http://dese.mo.gov/sites/default/files/sf-CAccountingCodeOverview.pdf>

Creating a budget document that is aligned with the State's accounting codes makes creating financial reports and reporting to stakeholders easier and more consistent with public school financial processes in Missouri. It also will support the audit process.

The budget document itself shows revenues by source (e.g., state funding, federal funding, grants, fees, etc.) and expenditure by object (e.g., salaries, benefits, rent, materials, books, services, professional training, utilities, insurance, etc.) for the first through fifth year of operations. A resource for schools to use in order to determine start up costs can be found here:

<http://www.charterschoolcenter.org/sites/default/files/TFPCostEstimationTool.pdf>

2. Monthly Cash Flow Statements

The cash flow statement will show the cash generated and collected by school operations as well as the school's expenditures. While the cash flow statement is based upon the annual operating budget, it disaggregates the data into monthly columns resulting in either a surplus or a deficit. Cash flow statements are important tools to assist new and operational boards in planning for cash shortfalls and excesses, and thus should be reviewed regularly

The annual operating budget must be adopted by the governing board and may require approval by the charter school's authorizers before the expenditure of funds. The adoption of the budget and any amendments must be recorded in the minutes of the board meeting. It is critical that accurate records of budget adoption and amendments are kept, as these are often reviewed by auditors during the annual audit process.

II. System of Fiscal Controls

Charter schools have the flexibility to exercise autonomy over budgets and expenditures, and must have the proper procedures in place to ensure that the board is complying with its fiscal responsibilities.

A. Bank Accounts and Procedures

Updated October 2018

The charter school's board should designate a bank (or insured Federal savings and loan association) to be used for deposits, checking accounts and other banking needs. The bank should be FDIC insured or otherwise fully collateralized. It is a recommended practice for charter schools to issue a request for proposal for banking services in order to select the school's financial institution. Once selected, the board should adopt a resolution designating the financial institution as the charter school's bank prior to engaging in financial transactions.

B. System of Internal Controls

The development of a system of internal controls is of utmost importance to the school's financial stability. Internal controls are necessary in order to protect the school from unauthorized access and use of records and funds. In order to determine what internal controls are necessary, it is a recommended practice for schools to engage in a risk assessment in order to identify areas where a control would minimize a certain risk. Furthermore, it is recommended that the advice of a financial professional experienced in auditing procedures and processes be consulted with to best establish a system of internal controls.

The following are examples of when risk might be introduced into the organization:

- Changes in the unit's operating environment
- New personnel
- New or revised information systems
- Rapid growth
- New departments or activities
- Restructuring or reorganization resulting in staff reductions, changes in supervisor, or segregation of duties.

Once the areas of potential exposure are identified, governing boards must determine if a policy is the best method to minimize the risk, or whether a control or some other system of checks and balances is appropriate, or both. While there are certainly no absolutes, a governing board will minimize its risks when there are strong policies in place and the board closely monitors whether or not those policies are implemented properly by administration or designated staff. Any deviations from standard practice or policy should be documented immediately, and the policy itself should be re-examined to determine if updating or changing the policy is necessary.

The following list is not exhaustive but should assist in an analysis of what internal controls and policies are necessary to ensure reliability in the school's financial practices. Samples of the policies are attached.

1. A board policy should be developed designating the individual(s) on the board with the authority to open and close bank accounts, make deposits and withdrawals and conduct other banking transactions. This policy should also address staff turnover and how transfer of vital financial information will be handled (i.e. passwords and account information). This information should be included in the board's bylaws, but is important enough to warrant a separate policy as well.
2. A board policy should be in place detailing management of cash handling, since this is one of the most common areas for fraud and misuse. This policy should also include procedures for mail management and incoming checks, reconciliation of bank statements, and withdrawal procedures
3. A policy detailing the school's accounting system and how it will be maintained. This policy should detail the controls in place for accounts payable and receivable, processing purchase orders and checks etc.
4. A policy prohibiting transactions that would present a conflict of interest and an annual questionnaire for board members to use to disclose any possible conflicts of interest.
5. A policy detailing payroll and benefit disbursements to staff.

II. Audit and Annual Report Preparation

Charter schools must have an annual financial audit conducted each fiscal year by an independent Missouri licensed certified public accountant. The financial reporting format must be in conformity with generally accepted accounting principles. The audited financial statements are to be included in the annual report submitted to the Sponsor, the State Board of Education, and parents of students attending the school.

Schools that constitute their own LEA do not have the access to utilize the financial systems that are in place in a LEA and therefore have the additional responsibility of ensuring that the policies and procedures are in place to set up all necessary financial systems. In addition to the policies and procedures contained in this manual, these schools will also want to consult the MO Financial Accounting Manual which can be found at:

<http://dese.mo.gov/financial-admin-services/school-finance/mo-financial-accounting-manual>

RESOLUTION 2000

BOARD FINANCIAL OPERATION

BOARD RESOLUTION ADOPTING POLICY

WHEREAS, on August 8, 2016 the board of Lee A. Tolbert Community Academy met at a publicly called meeting held in accordance with the Board’s bylaws; and

WHEREAS, in accordance with the Board’s bylaws, a quorum was present during the meeting held on August 8, 2016; and

WHEREAS, on August 8, 2016 the Board voted to adopt the policy titled “MCPSA MODEL POLICY SERIES - BOARD FINANCE POLICIES”, a copy of which is attached hereto and incorporated herein by reference.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF Lee A. Tolbert Community Academy that the policy “MCPSA MODEL POLICY SERIES - BOARD FINANCE POLICIES” is hereby adopted as a Board policy OF Lee A. Tolbert Community Academy.

THIS RESOLUTION IS HEREBY ADOPTED THIS 8th DAY OF August, 2016.

Board Chair

FINANCIAL MANAGEMENT

POLICY 2011

ANNUAL OPERATING BUDGET POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Budget Process

SECTION 1.1. The Superintendent will ensure that Lee A. Tolbert Community Academy follows a budgeting process that is consistent with the requirements of federal and Missouri statutes, State Board of Education Rules and Regulations and any other applicable laws or rules.

SECTION 1.2. Each year the superintendent is required to submit to the Board for consideration a detailed annual budget showing estimates of income and expenditures for the ensuing fiscal year.

SECTION 1.3. Needs Analysis. Each year before the annual operating budget is drafted the Superintendent or designee shall ensure that a needs assessment of Lee A. Tolbert Community Academy, is drafted and finalized by a budget committee consisting of the CFO, the school's leader and other individuals as designated by the board. The needs assessment shall inform the drafting of the annual budget.

SECTION 1.4. Adoption. The Board shall formally adopt the budget in an open meeting held in accordance with the Board's bylaws by June 30, according to statutory provisions, and before the expenditure of any funds. By law the approved estimated expenditures for each fund cannot exceed the estimated revenues to be received plus the unencumbered beginning cash balance for the fund.

SECTION 1.5. Minutes. The Secretary or (insert other job title) of the Board will record the adoption of the budget and any amendments in the Board meeting minutes in which the adoption occurs.

SECTION 1.6. Post-Adoption. After the beginning of the fiscal year, the School Leader and Business Manager shall review with the Board the adopted budget in relationship to the beginning cash balances for each fund.

SECTION 2. Fiscal Compliance

The superintendent shall ensure that Lee A. Tolbert Community Academy complies with all state and federal laws and rules concerning the budget and related processes of the

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school.

BANK PROCEDURES POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Bank Accounts

SECTION 1.1. The Board President and Board Secretary of Lee A. Tolbert Community Academy have the authority to open a business checking account, a business operating account, a business payroll account, savings/reserve account on behalf of Lee A. Tolbert Community Academy to be used to hold the school's assets.

SECTION 1.2. The superintendent has the authority to enter into an agreement with a bank or other federally insured financial institution once the Board has adopted a formal resolution at a board meeting held in accordance with its bylaws designating the bank for the school to use for its financial transactions. Once the resolution has been adopted, the superintendent has the authority to enter into an agreement with the selected financial institution. This agreement should be signed by Board President and Board Secretary.

SECTION 2. Checks

SECTION 2.1. Any authorized check drafted on the school's designated bank account shall require two signers from the Board. The following officers are authorized to sign checks from the bank account on behalf of the school: Board President and Board Secretary

Each check must be completed in its entirety before it is signed by either party.

SECTION 2.2. Checks Received. Checks received shall be endorsed "for deposit only" and deposits should be made daily by someone other than the person who prepared the deposit.

SECTION 2.3. Check Requests. Services or products rendered, reimbursement requests with original receipts, or mileage reimbursements may receive payment with a check. A check request form must be completed by the requestor and approved with a signature by the principal and superintendent. The check request form shall contain the name of the payee, the date the check is requested to be written, the amount of the check, a brief description for the issuance of the check, and the funding source that will be drawn from. The check request shall then be submitted to the Business Office for processing. All check request forms shall be maintained by the Business Office.

SECTION 2.4. Checks payable to cash for any reason are prohibited.

SECTION 3. Mail Procedures

SECTION 3.1. A non-accounting staff person should receive the mail, open it and list all checks on a daily collection report or in a pre-numbered receipt book. This report or receipt should identify the date, name of organization or person submitting payment, amount of payment and description of what the payment is for.

SECTION 3.2. An account staff member should receive the checks and daily collection report or receipt book from the person opening the mail.

SECTION 4. Bank Reconciliations

SECTION 4.1. There will be segregation of duties between individuals responsible for cash receipts and cash disbursement and the individual(s) responsible for bank reconciliations.

SECTION 4. The superintendent or superintendent's designee is responsible for bank reconciliations a minimum of once monthly. Bank statements should be delivered to the Business Office unopened. Each bank statement, assets, and liabilities shall be reconciled to both the checkbook and the general ledger.

SECTION 5. CREDIT CARD PROCEDURES

It is the policy of Lee A. Tolbert Community Academy that credit/debit card usage shall be limited and only the following employees or board members are authorized to use the debit/credit card: superintendent or authorized designee for school business expenditures only. It may not be used for personal purchases and/or cash transactions and shall be maintained by the highest level of security. Debit/Credit card transactions in the range of \$1 to \$1,000 must receive prior approval from the superintendent and credit card transactions exceeding \$1,000 require Board approval.

Employees issued a debit/credit card must receive prior, documented approval from the Board before the issuance of the debit/credit card. Each debit/credit card transaction by any user must be accompanied by the original receipts documenting each transaction.

SECTION 6. TRANSFER OF INFORMATION

If the individual serving as the superintendent ends his or her term with the Board/employment with The Academy or is terminated by the academy or otherwise removed from his or her duties, he or she shall immediately give the school management

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all necessary passwords and other related information. The academy will change the passwords and other security information once the individual serving as the superintendent ends his or her employment with the school.

RESOLUTION 2012

RESOLUTION DESIGNATING FINANCIAL INSTITUTION

WHEREAS, the board of Lee A. Tolbert Community Academy reviewed and determined that Blue Ridge Bank submitted a proposal that was most suited to the school's financial needs.

NOW THEREFORE, BE IT RESOLVED BY the Board of Directors of Lee A. Tolbert Community Academy that it will enter into agreements with Blue Ridge Bank for banking services including accounts for general operating, payroll, reserve, debit card, and savings.

THIS RESOLUTION IS HEREBY ADOPTED THIS 15th_DAY OF January, 2018.

Board Chair

CASH MANAGEMENT POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Accounting for Cash Transactions

SECTION 1.1. Documentation. All cash transactions shall be recorded in writing, such as by handwritten receipt detailing from whom the money and in what amount, which shall be signed and dated by the business officer or his or her designee who has the authority to receive cash on behalf of Lee A. Tolbert Community Academy.

SECTION 1.2. Depositing Cash. The superintendent shall be responsible for depositing cash in Lee A. Tolbert Community Academy's bank account. The superintendent will only be responsible for depositing the cash into the bank account, and will be segregated from the duty of receiving the cash on behalf of the school. Deposits shall be made weekly at a minimum. All un-deposited cash shall be kept in a secured location on school premises with limited access. A copy of the validated deposit slip shall be returned to the school on same day the deposit is made or the next day after the deposit is made.

SECTION 1.3. Expenditures. All expenditures of school funds, including cash expenditures, shall be documented and accounted for by daily receipts. As a general rule, cash will not be used to make purchases except from petty cash, as described below. School checks shall not be made payable to "Cash".

SECTION 1.4. Segregation of Duties. The superintendent of Lee A. Tolbert Community Academy shall ensure that appropriate segregation of duties exists with regard to the handling of all money transactions including reconciliation.

SECTION 1.5. Petty Cash. Petty cash shall be maintained in a locked box in the superintendent's designee's office in an amount not to exceed \$100.00. All disbursements from petty cash shall be documented in writing, indicating the date, amount disbursed, the identity of the individual receiving the funds, and the reason for the disbursement. Receipts from purchases made with petty cash shall be remitted to the Academy's business office as soon as practicable. Petty cash funds shall not be used to cash checks.

INVESTMENT OF DISTRICT FUNDS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

The Board has an obligation to the citizens of the Academy to direct the management of Academy funds. The primary objective of the Academy's investment plan will be legality, safety, liquidity, yield and the provision of a capital base for future needs. In the management of such funds, the Academy adheres to the "prudent investor" rule. Investments will be made with judgment and care, under the circumstances which persons of prudence, discretion and intelligence exercise in the management of their own investments. Funds will be managed for investment, not for speculation considering the safety of the funds invested and the probable income to be derived.

Academy personnel, including Board members, who are involved in the investment of Academy funds, will not engage in any personal business activity which could:

1. Impair their ability to make impartial decisions concerning investment of Academy funds;
2. Conflict with proper execution of the Academy's investment program; or
3. Create an appearance of impropriety.

Academy employees and directors involved in investment of Academy funds will disclose any material interests in financial institutions in which they conduct business. Such disclosure will include, but not be limited to any personal financial/investment positions that could be related to the performance of the Academy's investment portfolio. Similarly, Academy employees and directors involved in investment of Academy funds will not engage in personal investment transactions with the same individual with whom business is conducted on behalf of the Academy.

Investments will be made through banks or securities dealers who have been approved by the Investment Committee of the State Treasurer's Office. Such banks and securities dealers will have been subjected to an appropriate investigation by the staff of the State Treasurer's Office. This investigation will include, among other things, a written review of the firm's financial statements and the background of the sales representatives. All approved dealers must be fully licensed and registered NASD Brokers/Dealers or exempt banks. Criteria used to select securities dealers include:

1. Financial strength and capital adequacy of firm;
2. Services provided by firm;
3. Research service available;
4. Résumé, reputation, and qualifications of sales representatives;

5. Due diligence and firm references; and
6. State government expertise.

The performance goals of the Academy's active investment management program, over time, should produce book yields that are greater than yields from low risk passive investments. In analyzing the results of the Academy's investment program, the Academy will calculate the book yield and total rate of return on Academy funds compared to the appropriate security market indexes.

The superintendent or designee will direct the preparation of quarterly investment reports providing a summary of the Academy's current investment portfolio and all transactions executed since the last report.

Such investment reports will be prepared by the appropriate bank(s) or security dealers for review by the Board and the superintendent. Investment reports are considered to be public records and will be made accessible to the public.

ACCOUNTING AND REPORTING

POLICY 2021

ACADEMY ACCOUNTING SYSTEM POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Fiscal Year

Lee A. Tolbert Community Academy Board of Directors adopts a fiscal year that begins on the first day of July and ends on the thirtieth day of the following June.

SECTION 2. Financial Accounting

The Lee A. Tolbert Community Academy will adhere to the accounting guidelines of the Missouri Department of Elementary and Secondary Education.

SECTION 2.1. Accounting records. The school shall maintain records that adequately identify the source and application of funds. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

SECTION 2.2. Internal controls. The school shall maintain effective control and accountability of all state and local funds, federal grant and sub-grant cash, real and personal property, and other assets obtained with local, state or federal funds. The school shall adequately safeguard all such property and assure that it is used solely for authorized purposes.

SECTION 2.3. Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

SECTION 2.4. Budget control. The school shall compare actual expenditures or outlays of state or federal funds with budget amounts for each fund, grant or sub-grant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or sub-grant agreement. Applicable federal cost principles, agency program regulations, and the terms of grant and sub-grant agreements will be followed in determining if the cost is reasonable, allowable and can be allocated.

SECTION 2.5. Account Code Structure

All charter schools must use the account code structure as described in the Missouri Department of Education's Chart of Accounts.

AUDIT AND FINANCIAL STATEMENTS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Annual Audit.

SECTION 1.1. Annual Audit. Annually, the books and accounts of the School will be audited by an independent certified public accountant in conformance with the prescribed standards and legal requirements. The Business Manager shall place before the Board the matter of the retaining of a certified public accountant. The auditor shall be selected by the Board. The audit shall be presented to the Board for examination and approval.

SECTION 1.2. Board Action. Once the Board of Lee A. Tolbert Community Academy receives the final report, it must vote to accept the contents of the audit at either its next regularly called meeting or at a special meeting called in accordance with the Board's bylaws.

SECTION 1.3. Submission to Sponsor. The superintendent shall ensure that a copy of the annual audit report is timely filed with the Sponsor. The audit report should include a certificate signed by the Chair of the Board that the Board voted to accept the contents of the audit. If the Board did not accept the contents of the audit report, that should be noted with the submission.

SECTION 2. Annual Financial Statement. The Certified Public Accountant shall prepare, or cause to be prepared, an annual financial statement for each fund subject to the authority of the Board during the fiscal year showing:

- a. the total receipts of the fund, itemized by source of revenue, including taxes, assessments, service charges, grants of state money, gifts, or other general sources from which funds are derived;
- b. the total disbursements of the fund, itemized by the nature of the expenditure;
- and c. the balance in the fund at the close of the fiscal year.

SECTION 2.1. The superintendent shall ensure that the annual financial statement is submitted to the Sponsor in a timely manner pursuant to deadlines.

CONFLICT OF INTEREST POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy, effective on the date of adoption by the Board.

This policy establishes expectations for governing board member conflicts of interest.

ARTICLE I

Purpose

The purpose of the conflict of interest policy of Lee A. Tolbert Community Academy is to protect this tax-exempt organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. As a charter school, certain special state conflicts of interest policies apply as discussed herein.

ARTICLE II

Definitions

1. Interested Person

Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

ARTICLE III

Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, s/he shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Under Missouri law, the following are conflicts of interest. The Board has no discretion on whether these items present a conflict of interest. No person shall be appointed to the board unless they meet the following requirements. Any board member who is in violation of any of these requirements is ineligible to serve and shall immediately forfeit their office:

- a. No member of the Board shall hold any other office or employment from the board while serving as a member of the board.
 - b. No member of the board shall have any substantial interest (see section 105.450 RSMo for a definition) in any entity employed by or contracting with the board.
 - c. No member of the board shall be an employee of a company that provides substantial services to the charter school.
- #### 3. Procedures for Addressing the Conflict of Interest
- a. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, s/he shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
 - b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

- c. After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.
4. Violations of the Conflicts of Interest Policy
- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
 - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV

Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

ARTICLE V

Compensation

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI

Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands the Organization is charitable and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

ARTICLE VII

Periodic Reviews

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining,
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services,

further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

ARTICLE VIII

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

CONFLICTS OF INTEREST QUESTIONNAIRE

This questionnaire has been prepared in accordance with Lee A. Tolbert Community Academy Policy Statement on Conflicts of Interest, and is to be completed by Lee A. Tolbert Community Academy’s Board Members as facilitated by Ralph C. Johnson and Company, p.c. the organizations’ certified public account.

It is expected that when a potential for, or an actual conflict of interest exists, the affected individual will disclose it immediately to the board chair and refrain from participating, discussing and/or voting on that issue.

Please read the statements below and check your appropriate response, including explanations, where applicable. Please date, sign and return to the form to the board chair, or his or her designee, within thirty (30) days of receipt.

I have examined my personal situation as directed in the Statement of Policy on Conflicts of Interest and find that I have:

No area of potential or actual conflicts of interest.

No area of potential or actual conflicts of interest except as follows:

Signed:

(Print or type title)

Date:

PAYROLL POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Accurate & Timely Payroll. The business office shall ensure that school employees are paid accurately and timely in accordance with applicable laws and rules.

SECTION 1.2. School employees shall be paid:

- a. In United States currency;
- b. By a written instrument (e.g. check) issued by the employer that is negotiable on demand at full face value for United State currency; or
- c. By the electronic transfer of funds to the employee’s bank pursuant to a direct deposit agreement signed by the employee.

SECTION 2. Paydays.

- a. Exempt Employees. The paydays for exempt employees shall be on regular payroll dates.
- b. Non-exempt Employees. The paydays for non-exempt employees shall be on regular payroll dates.

SECTION 3. Withholding of Wages. The superintendent or designee shall ensure that the wages of school employees are not withheld except in the following situations as permitted by applicable laws and rules.

- a. The school is ordered to do so by a court of competent jurisdiction;
- b. The is authorized to do so by state or federal law; or
- c. The school has written authorization from the employee to deduct part of the wages for a lawful purpose.

SECTION 4. Teachers Retirement System. As prescribed by Statute, all full-time teachers at Lee A. Tolbert Community Academy shall be members of the Kansas City Public Schools Retirement System (KCPSRS) and subject to its requirements. The Board shall expend for teacher retirement and compensation for instructional staff an amount

that reflects the requirements as outlined in Missouri State Statute and Department of Elementary and Secondary Education regulations.

FEDERAL FISCAL COMPLIANCE POLICY

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1. Fiscal Requirements under Title I, Title II and Title IV of NCLB

SECTION 1.1. Supplement not Supplant. Lee A. Tolbert Community Academy shall ensure that federal funds will be used to supplement, not supplant regular non-federal funds.

SECTION 1.2. Documentation. Documentation shall be maintained, or caused to be maintained, by the Superintendent's designee. The documentation must clearly demonstrate the supplementary nature of federal funds.

SECTION 2. Federal Grant Allowable Expenditures. Prior to expending funds, the Superintendent's designee shall consult the appropriate OMB Circular (OMNI Circular) or other federal guidance to determine what costs are allowable. The Superintendent's designee shall ensure that all grant funds are expended in accordance with the Circular or other applicable federal law or rule.

SECTION 3.

Standards for Documentation of Personnel Expenses (2 C.F.R. § 200.430, OMNI DESE Memo FAS-15-003 Time and Effort under the OMNI Circular, April 2, 2015),

Time and Effort: Records are required for all employees, including teachers, paraprofessionals, administrators, and other staff that are paid with federal funds to document the time and effort they spend within the program. The portion of the federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that federal program. Time and effort reporting is required when any part of an individual's salary is charged to a federal program or used as match for a federal program.

Semi-Annual Certification: Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are required to be prepared at least semi-annually.

Monthly Personnel Activity Report (PAR): Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Charges for salaries must be based on records that accurately reflect the work performed. These records must be:

- Supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Incorporated into the official records;
- Reflecting the total activity for which the employee is compensated, not to exceed 100%;
- Encompassing all activities (federal and non-federal);
- Compliant with established accounting policies and practices; and
- Distributed among specific activities or cost objectives.

SECTION 4. Charter Schools Program (CSP), NCLB Title V, Part B

SECTION 4.1. Compliance. If Lee A. Tolbert Community Academy receives CSP grants, the superintendent's designee shall ensure that Lee A. Tolbert Community Academy shall comply and use the federal funds in accordance with all statutes, regulations, and approved applications.

SECTION 4.2. Fiscal Control. The Superintendent's designee shall directly administer or supervise the administration of any projects funding through CSP funds, and shall use fiscal control and fund accounting procedures that ensure proper disbursement of, and accounting for, federal funds.

SECTION 4.3. Procurement. When using CSP funds to enter into a contract for equipment or services the Lee A. Tolbert Community Academy shall comply with the applicable federal procurement standards.

SECTION 5. Use of Federal Grant Funds for Procurement

SECTION 5.1. Open and Free Competition. The business shall ensure that all procurement transactions are conducted in a manner that provides open and free competition. Awards must be made to the vendor whose bid/offer is responsive to the solicitation and is most advantageous to Lee A. Tolbert Community Academy considering price, quality, and other relevant factors deemed appropriate by the Academy.

SECTION 5.2. Conflicts of Interest. Pursuant to the Conflict of Interest Board Policy, no
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employee, officer, or agent of, who has a real or apparent conflict of interest, will participate in the selection, award, or administration of a contract supported by federal funds. Employees, officers, and agents may also not solicit or accept favors, gratuities, or anything of monetary value from contractors or their agents.

SECTION 5.3.

- a. The solicitation of bids or offers must provide a clear and accurate description of the requirements to be fulfilled by the bidder, technical requirements to be performed including the minimum acceptable standards and specific features of brand name or equal descriptions that bidders are required to meet;
- b. Positive efforts shall be made to utilize small businesses, minority-owned firms, and women's business enterprises whenever possible;
- c. The type of procurement instruments used (e.g. purchase orders) must be appropriate for the particular procurement;
- d. Contracts are made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement;
- f. Procurement documents shall be made available, upon request, to appropriate government officials.

SECTION 5.4. Record Documentation. The business office shall ensure there is a cost or price analysis made and documented with every procurement action as well as appropriate documentation for the basis for contractor selection. The Academy shall also ensure the evaluation of the contractor performance and document whether the contractor has met the terms, conditions, and specifications of the contract.

SECTION 6. Travel Costs.

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. These costs are reimbursable with appropriate approval and documentation of expenses. Travel costs charged to Federal awards/funds must meet the requirements of 2 C.F.R. § 200.474.

CAPITAL ASSETS ACCOUNTING

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Definition of Capital Asset. A capital asset is an asset that is tangible in nature; has a life that exceeds one year; of significant value (\$5,000 per unit or a lower amount designated by the board of directors); and reasonably identified and controlled through a physical inventory system. Examples include: land, buildings, machinery, and furniture.

SECTION 1.2. Documentation. The Superintendent's designee shall ensure that Lee A. Tolbert Community Academy maintains accurate records of capital assets in accordance with applicable rules.

SECTION 1.3. Inventory. The Superintendent's designee will ensure that a physical inventory of capital assets takes place once every two years.

SECTION 1.4. Annual Audit. The annual financial audit required by shall include an exhibit in the audit report identifying all capital assets and the ownership interest of local, state, and federal parties.

TRAVEL AND REIMBURSEMENT

Travel Expense Allowance

Upon approval of the principal, employees may be authorized to attend conferences, meetings, conventions, etc. When full expenses are allowed, they shall be deemed to include registration, transportation fees, lodging and meals.

Each employee allowed travel expenses shall file with the principal or designee an itemized account of expenses; he/she may request an advance of estimated expenses subject to adjustment upon filing of the itemized account. Each employee shall submit to the principal or designee such other reports as may be required.

The principal may authorize attendance at professional meetings by staff members, Board members and others working on Academy matters, and may approve reasonable expenditures that include an amount set annually by the Board for lodging, travel expenses and applicable registration fees.

The principal shall notify the Board of the date and purpose of the event for which such approval is granted, name(s) of person(s) attending, and cost to the Academy.

The principal shall have the power to excuse any employee from duty for the above purposes for a period not to exceed one (1) day without allowance for expenses

Reimbursement Policies

1. Mileage reimbursement is not authorized between home and office/base school.
2. Employees who travel directly from home to other than office/base school on official business are entitled to a mileage allowance of the distance in excess of that from home to office/base school. The same policy is applicable to return trips. In this case a reimbursement request must show that all mileage excludes round trip mileage from home to office/base school.
3. Employees who travel from school to school on official duty are authorized mileage from the first to the last school visited subject to the restrictions outlined in the paragraph above.
4. When transportation is performed by privately owned vehicle, mileage is authorized at an annually determined rate, subject to provisions of the following paragraph.
5. When private transportation can be pooled, the driver of the vehicle is authorized reimbursement at the annually determined rate. When transportation pooling is not desired by the individuals concerned, each traveler will be limited to an equal share of the annually determined rate per mile.
6. In performing necessary local travel, personnel will use the most direct well-traveled route between any two points. Claims for mileage reimbursement will be for actual miles driven based on odometer readings.

REVENUE

POLICY 2031

STATE TAX SOURCES

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Acceptance. All state funds will be accepted for the operation of the School as provided by entitlement by law and through regulations of the Missouri State Board of Education or Missouri Department of Elementary and Secondary Education.

SECTION 1.2. Reporting. The principal or Business Manager is responsible for filing all required reports and forms to obtain state funds to which the School is entitled to receive according to developed rules and regulations.

STATE AND FEDERAL PROJECTS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Authority to Operate. With Board approval, the School may operate various specially funded programs that must be administered in accordance with particular federal and/or state laws, regulations and other conditions for use of such funds.

The principal shall be the designated School official responsible for coordinating funded projects, administering programs and ensuring that the various departments operating these programs do so within the guidelines of the particular program. The administration shall keep accurate and separate records, as required by state and federal programs, to enable the School to verify program compliance and success. The principal shall keep the Board fully informed.

BORROWED FUNDS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Authority. State law authorizes the Board to borrow funds in anticipation of the collection of revenue in order to insure continuity in the operations of the School. The Board must approve in advance all applications for loan indebtedness. The amount borrowed and the repayment of notes payable shall be within guidelines as established by state law and rules and regulations of the Missouri Department of Elementary and Secondary Education.

BONDED INDEBTEDNESS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

SECTION 1.1. Authority. The Board may issue bonds for any School expenditures as prescribed in state law.

STUDENT FEES AND FINES

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

Fees

No fees shall be charged for enrollment, supplies, equipment or costs attributable to courses of study which are offered for credit. Students shall be required to pay for materials which are used in constructing projects or other items which are to be removed from the school and are thereby the property of the student. All projects constructed at school with materials provided by the school are the property of the Academy and therefore shall not be removed from school unless approved by the appropriate administrator.

Students may be charged fees or admission for participation in activities which are voluntary, such as attendance at school athletic or other co-curricular events. The fee schedule for such events shall be submitted to the Board for approval annually.

Fines

Every effort shall be made to protect the financial resources of the Academy by collecting all payment for student fines, lost or damaged textbooks, damage or vandalism to school property. Collected fines shall be deposited in the appropriate account in order to charge replacement costs for books, materials, equipment or repaired property to the appropriate budget item.

FUND-RAISING

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

All fund-raising activities and planning for fund-raising shall be done after school hours unless prior permission is received from the building principal.

Any fund-raising activity which involves students or employees shall require the approval of the building principal and Superintendent. Involvement is defined as: any activity which advertises the school, students or school organization.

INSURANCE

POLICY 2041

INSURANCE PROGRAMS

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

The Board shall maintain adequate insurance programs to cover property, liability and personnel, within the requirements of good risk management and state law. The administration will recommend to the Board the kind and amount of property, casualty and/or liability insurance needed for the protection of the Academy property, employees, and the Board, and will administer insurance authorized by the Board, unless otherwise directed.

Every effort shall be made to obtain insurance at the most economical cost consistent with required service by obtaining quotations or by negotiations, whichever method is advantageous to the Academy.

The Academy will maintain coverage on all buildings and capital outlay contents. Coverage should be 100% without coinsurance if available.

LIABILITY INSURANCE

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

The Board recognizes that legal actions may be initiated from time to time against the Academy as a corporate entity, against the Board as a whole, against Board members as individuals, or employees or other agents. The Board also recognizes the contribution that is rendered to the students of the Academy by volunteers and is mindful that legal actions may be initiated against these individuals as well.

To protect members of the Board, Academy employees, other agents and volunteers in the performance of their duties and responsibilities, the Board will defend its Board members, officers, employees, other agents and volunteers against claims for suits arising out of the performance of their duties and responsibilities. The Board shall indemnify its Board members, officers, employees, other agents and volunteers against all financial liability or loss resulting from such claims or suits including judgments for damages, attorney's fees, fines, court costs and amounts paid in settlement of such matters and reasonable and customary ancillary costs. Ancillary costs may include, for example, travel expenses incurred by Board members or others if they must appear for a case that is being tried outside the area.

The protection provided by this policy shall apply on an occurrence basis, which means that an individual will be indemnified even though he/she is no longer a member of the Board of employed by or otherwise associated with the Academy when the lawsuit is filed.

The Board reserves the right, however, to deny representation and indemnification to any person covered by their Board policy in any instance in which there would be no coverage under the Academy applicable liability insurance program in which the claim "results in civil judgment or criminal conviction for" an intentional tort, immoral conduct, violation of any criminal or civil statute or violation of Board policy or regulations or administrative order or directive, whether verbal or written.

As a prerequisite to the right of legal representation and indemnification, any person who is served with legal notice commencing any action or proceeding against him/her for which indemnification is sought is required to immediately notify the superintendent of the legal action after receipt of such legal notice.

The Academy shall maintain a program of self-insurance and/or insurance coverage sufficient to provide the legal defense and indemnification described in this policy. However, the Academy's purchase of liability insurance does not waive the Academy's entitlement to sovereign immunity.

POLICY 2043

BOND FOR ALL EMPLOYEES

The Board of Lee A. Tolbert Community Academy adopts the following policy which shall be effective on the date that the policy is adopted by the Board.

All employees of the Academy shall be covered by a blanket bond in an amount to be determined by the Board with premiums to be paid by the Board.