

Financial Management Policy (approved 3/25/14)

Purpose:

The purpose of a sound Financial Management Policy is to:

- provide a consistent set of guidelines for financial activities
- set a foundation for responsible financial decision making

Financial Statements:

The PSCS Finance Committee will review and approve the prior month's and year-to-date Profit and Loss and Balance Sheet on a monthly basis. Once approved, the Finance Committee will present these financial statements to the Board of Trustees for final approval.

Budget Approval:

The purpose of the Budget Approval Policy is to outline the major components of the budget, as well as who is responsible for developing, maintaining and ultimately approving the annual and five year budget projections.

Each year the Pioneer Springs Finance Committee will present an annual budget to the PSCS Board of Trustees for approval. This committee is responsible for developing the major components of the annual budget in the context of five-year budget projections.

The Finance Committee focuses on the major components of the budget including, but not limited to, the following items:

- Income - state, local, federal, and EC funding, fundraising, grants, other donations
- Expenses - personnel salaries, benefit costs, equipment and facilities and any other operating costs.

The yearly budget will be constructed within the parameters set by the rolling five-year budget model, which allows the Finance Committee to plan ahead and avoid future deficits. Each year the five-year budget will be reviewed and amended as necessary. Thus, budget decisions that produce a balanced budget for one year, but cause deficits over time, can be avoided. The Finance Committee consistently monitors the budget based on the actual monthly financial statements.

Access to Funding:

The purpose of the Access to Funding policy is to identify the funding sources, the frequency with which these funds are provided, and the location where these funds reside.

Pioneer Springs funding sources will consist of the following:

- Fundraisers
- Individual donations
- Grants
- Endowments
- Federal, State and Local funding

The majority of Pioneer Springs' revenue will come from Federal, State and Local funds. Section C4 within the North Carolina Finance Guide (link below) outlines the details of our government funding sources, including a schedule for reporting headcounts and timing for receiving the funds.

<http://www.ncpublicschools.org/docs/fbs/finance/reporting/guides/charterschoolfinance.pdf>

Audits:

The purpose of the Audit Policy is to identify the steps to engage a 3rd party in order to conduct a yearly financial audit of Pioneer Springs. The secondary purpose is to provide direction for additional financial reporting required by the Department of Public Instruction (DPI) and the North Carolina Treasurer.

The Finance Committee will recommend a CPA firm to conduct the annual audit each year subject to final approval by the Pioneer Springs Board of Trustees. The annual audit is due on October 31st of each year.

Once the audit is complete, the Pioneer Springs Finance Committee will:

- Contact the Local Government Commission (LGC) at www.nctreasurer.com
- Inquire with the State and Local Government Finance Division
- Complete Audit Contract Form for audit services

All other financial expenditure reporting requirements required by DPI will be followed as outlined in the NC Charter School Finance Guide.

Purchasing/Procurement Policy:

The purpose of the Purchasing and Procurement policy is to provide guidelines and parameters for Pioneer Springs to adhere to for purchases of goods, services, emergencies, educational services and construction.

Procurement – Goods and Services

Pioneer Springs procures only those items and services that are required to perform the mission

and/or fill a bona fide need. Pioneer Springs will use a competitive procurement process, which requires sound business practices, for purchases less than \$1,000. The school will also select the best value by soliciting three written quotes for items greater than \$1,000. Members of the Pioneer Springs Finance Committee are designated as the procurement officers who must participate in, and approve of, the purchasing of items greater than \$1,000.00.

A. Pioneer Springs adheres to the following objectives:

1. Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
2. Make all purchases in the best interests of the school and its funding sources.
3. Obtain quality supplies/services needed for delivery at the time and place required.
4. Buy from responsible and dependable sources of supply.
5. Obtain maximum value for all expenditures.
6. Deal fairly and impartially with all vendors.
7. Be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties or even the appearance of a conflict of interest in the Pioneer Springs' supplier relationships.

B. Pioneer Springs will execute a *Purchase Order* for all purchases greater than \$1,000 and it shall be approved by the Finance Committee.

Procurement – Construction

Pioneer Springs is required to comply with certain laws while constructing a new facility or performing construction on its current facility. These laws include numerous federal, state and local laws. When undertaking construction or renovation projects, the school should seek advice from the applicable regulatory agencies regarding these laws and also the advice of legal counsel regarding the specific construction project.

Procurement – Educational Services

The Pioneer Springs Board of Directors must approve the terms of the contracts with individuals or organizations that provide “substantial educational services”.

Capital Expenditures

This purpose of the Capital Expenditure Policy is to define a capital expenditure, identify the threshold of what Pioneer Springs deems as a capital expenditure, and outline the controls needed for managing capital expenditures.

Capital Expenditure Definition– The money spent for acquiring or upgrading assets. Relative to Pioneer Springs' business, capital expenditures are generally made to purchase furniture or fixtures, computers, programming equipment or upgrades, broadcast technical equipment or upgrades, or leasehold improvements.

Pioneer Springs does not consider purchases below \$1000 to be capital expenditures. Assets purchased below the \$1000 limit are expensed as they are received.

Pioneer Springs is responsible for establishing adequate controls over capital expenditures to ensure the timely procurement of these assets and accurate and timely recognition of these assets in the accounting records. Our policy requires that the requisition and purchase of all capital expenditures must adhere to the following:

- Specify and set up capital expenditure vendors.
- Allow for Finance Committee review and approval for investments made in capital equipment.
- Recognize qualifying purchases as fixed assets in the company's accounting systems.
- Track and review capital projects against predefined budgets or plans.
- Pay for capital expenditure items on a timely basis and consistent with approved order details.
- Leverage the company's purchasing power through centrally negotiated purchase contracts with key capital vendors.

The Board of Trustees, through its Finance and Facilities' Committee, shall approve and monitor capital expenditures, consistent with the Pioneer Springs' policies on open and competitive bidding and non discrimination, according to the policies set forth herein. Purchases of several related items of furnishings, fixtures, equipment or services which normally would be aggregated as a single purchase shall be treated as a single expenditure under this policy in determining required levels of approval. In no case shall expenditures which would normally constitute a single purchase be separated for the purpose of avoiding higher levels of review and approval as required by this policy.

Returned Checks

The purpose of the returned check policy is to outline the steps Pioneer Springs will take upon receipt of a returned check(s).

All returned checks are subject to a \$35.00 fee. Families/Staff will be sent a written notice of the returned check directly from Pioneer Springs, along with a copy of the returned item and a note explaining the returned check fee (\$35). The note will serve as an invoice for the total amount due including the returned check fee. Pioneer Springs will accept another check to cover the invoice balance. Families/Staff who have two (2) returned checks within the same academic year must make all future payments by cash or credit card. Additional checks will not be accepted.

Pioneer Springs Community School will follow the Generally Accepted Standards of Fiscal Management. The detail below outlines these expectations:

“A CHARTER SCHOOL THAT IS APPROVED BY THE State shall be a public school within the local school administrative unit in which it is located. It shall be accountable to the local board of education if it applied for and received preliminary approval from that local board for purposes of ensuring compliance with applicable laws and the provisions of its charter. All other Charter schools shall be accountable to the State Board for ensuring compliance with applicable laws and the provisions of their charters, except that any of these charter schools may agree to be accountable to the local board of the school administrative unit in which the charter school is located rather than to the State Board.” (NC Gen. Stat. 115C-238.29E.)

Charter schools are required to meet generally accepted standards of fiscal management. (NC Gen. Stat. 115C-238.29G(a)(2)). It is now generally accepted that the primary responsibility for the fair presentation of financial statements rests with the reporting management of an organization. Accordingly a process must be affected by a schools management and other personnel and designed to provide **reasonable** assurance regarding the achievement and maintenance of the following standards:

1. A fiscal year balanced budget that clearly defines achievable goals as defined in the school's charter and approved by the Board of Directors in the form of a budget resolution.
2. Full compliance with Uniform Education Reporting System (UERS) policies and procedures.
3. Additionally, accounting records should properly and accurately record and account for all transactions including cash. Accounting information should be relevant, reliable, comparable and consistent and must be available for the preparation of reliable financial statements.
4. Demonstrate compliance with Federal and state laws/regulations, State Board of Education policies and other compliance requirements.
5. Maintenance of documentation that outlines internal controls on business practices and operation.
6. All accounts payable must be current.
7. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on state and federal funds
8. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

9. Ensure that required independent audits are performed and submitted when due in a timely manner as prescribed by the Local Government Commission.
10. Schools should have documentation that supports its financial statements and that reflect its financial position/condition, results of operations or changes in net assets and where appropriate, cash flows for any fiscal period/year
11. Positive financial cash flow must be maintained as required by the General Accepted Accounting Principles (schools in a deficit financial condition at the end of any fiscal year would be in violation of this principle).
12. Any necessary corrective action plans on any audit findings must be filed in writing and proposed changes must be implemented in the subsequent fiscal year.”